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From: ROHR Alert <rohralert@gmail.com>
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To: undisclosed-recipients:
Subject: ROHR ALERT!! Brexit Success into Super Mario

Dear Subscribers,
As we cautioned in Tuesday's 'More Brexit-China Joy' ALERT!! (and for many weeks previous), the address of the Brexit question was only the removal of an immediate stressor and NOT the solution to weak global economic growth. That will take a lot more deregulation and other economic reform which does not seem to be forthcoming anytime soon.
And this is apparent in the US equities sharp selloff Tuesday afternoon even after PM Johnson's Brexit bill passed the UK Parliament by a bigger than expected margin. It is also highlighted by the strength of global govvies even as the US equities were strong Tuesday morning. While emerging currencies have kept (and even extended) their recent bid, that also seems a bit of the "triumph of hope of experience" we have highlighted in recent ALERT!!s.
While the entire Brexit process remains convoluted on the need for the passage of the 'process' bill noted in Tuesday's ALERT!!, its overall success now seems assured. And that is despite the petulant ramblings of PM Johnson who still wants it to be implemented next week.
However, the overall global weakness still has more to do with the corporate aversion to capital investment. And while that is at least partially due to the continued US-China trade tiff which is due to continue for a while (along with other Trump trade and tariff issues), there is a broader global drag: too many countries with high regulatory barriers and taxation issues.
That is where we segue back into Super Mario Draghi on the eve of his last ECB rate decision meeting and press conference. As he has noted repeatedly for not just months but years, there is a need for Euro-zone (which is to say broader European) regulatory and tax reform. At the very least there should be fiscal stimulus, even if that will only be a temporary sop to the markets.
Whether one loves or hates Donald Trump, the regulatory rollback and tax reform he brought is the reason for the sharp improvement in the US economy. Without that Europe (and indeed Japan) has little chance of economic success. And while they can mitigate immediate economic collapse, negative rates have been definitively ineffective in restoring economic strength; in fact just the opposite.
That is clear from Monday's Financial Times article on how it affects a country's banks (http://bit.ly/2qBvpjf.) Yet now Europe and the world must contemplate the impact of extended negative interest rates in Europe just as the ECB is embarking on renewal of its Asset Purchase Program (see this other Monday FT article http://bit.ly/2N6KSj2 with an excellent review of govvies available for purchase); on which it is counting to deliver a sustained recovery. Another "triumph of hope over experience" without assistance from regulatory reform and tax cuts?
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 rallies failed at the highs throughout August.

December S&P 500 future has now replaced the September contract, where the former was above historic Oscillator levels at 2,965-70 and 2,985, leaving the critical 3,015-25 area above

on continued rise of weekly MA-41. There was also the weekly topping line it failed to exceed in July (see annotated weekly front month future chart through last Friday at http://bit.ly/31yCopQ), which preceded the major August correction and failing above 3,000 again into mid-September.

Any reversal needed front month S&P 500 future to fail below 2,938.25-2,947.50 area, which it was back up testing along with 2,950-60 on the recovery rally from an early week selloff. Now above that leaves a hostage to fortune in whether it can indeed be maintained after failing again from higher resistances at 3,000-05 tested repeatedly of late and the 3,015-25 range failed so many times since July.

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