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ROHR ALERT!! Animal Spirits And So On

1 message

ROHR Alert <rohralert@gmail.com> Tue, Nov 26, 2019 at 7:58 AM
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Dear Subscribers,
That demure headline in no way signals boredom. In fact, US equities are trading up to a minor new high that might signal more strength to follow (more below.) Yet as shared in Monday's 'Rapid Review…' ALERT!!, this being based on the strong 'Santa Portfolio Manager' seasonal (see www.rohr-blog.com) means that the weak data and outlook can also still assist global govvies in keeping their bid after their recent return to strength. Therefore, today it's 'and so on…'

Of course, the driver for the economic global weakness remains the US-China talks impasse. As cited in Friday's 'US-China Happy-Talk…' ALERT!!, this is as we have noted for a while due to the depressing effect on global investment and trade. For more see last Thursday's weak quarterly OECD Economic Outlook (http://bit.ly/2D5BvLK) reinforcing major concerns over 'uncertainty'. And we will see more this Thursday in the next OECD G20 International Trade Statistics.

Viewing it in broad strokes brings to mind Lord Keynes observation on drivers for economic actions (abridged), "*Most, probably, of our decisions to do something positive… ...can only be taken as the result of animal spirits - a spontaneous urge to action rather than inaction*…" (J.M. Keynes, The General Theory… 1936.) And current sustained uncertainty inhibits the 'animal spirits' of business executives, and more tellingly in all likelihood their corporate boards.

The lack of US-China agreement on a 'Phase I' deal is no surprise to our readers (see Monday's ALERT!! on that.) Yet in the context of a trade war having stretched on for 18 months, 'Phase I' was never going to be a peace treaty… more so only a short-term truce for a cease fire (i.e. no further tariff hikes.) And as already noted, there was never much chance for a 'Phase II' without major Chinese concessions (see the weekend Reuters "No 'phase two'..." article at https://reut.rs/2XJe6ct.)

As such, for now the 'Santa' seasonal likely keeps US equities strong. And with them breaching last week's previous all-time high early this week, the 'burden of proof' is on the bears to contain the US equities rally or possibly suffer quite a bit more strength. Yet, as noted above, global govvies are maintaining their bid.

Courtesy Repeat of Monday's critical consideration
The front month S&P 500 future October push above historic Oscillator levels at 2,965-70 and 2,985 left the key 3,015-25 area above on continued rise of weekly MA-41. There was also the weekly topping line it failed to reach in July (see the broken red line on fresh weekly chart through last Friday http://bit.ly/37DaDks), which preceded a major August break and September failure above 3,000.

This reinforced the importance of the subsequently overrun 3,065-70 Oscillator resistance into that weekly topping line, held on the early November correction. Weekly MA-41 moving

up $10 per week means it was important to sustain activity no worse than 3,085-90 last week, which moves up to 3,095-3,100 this week. Much above that the next threshold is not until 3,125-30, with 3,165-70 next above that.

Next short-term lower support is the 3,100 area with a buffer to 3,090, consistent with last week's Oscillator threshold. That was tested and held since the middle of last week, and daily MA-18 is now up into that area. The important next lower support is now that overrun weekly topping line in the 3,070-63 area.

Much below that the most important support is way down into the old 3,029.50 front month future July all-time high. Please see the Monday November 4th ALERT!! for a key pre-FOMC discussion and video on the importance of the 3,025-15 Tolerance of that old high; which held on a sharp selloff that Thursday.

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