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From: ROHR Alert <rohralert@gmail.com>
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To: undisclosed-recipients:
Subject: ROHR ALERT!! US-China Cognitive Dissonance

Dear Subscribers,

Major contention on Chinese demands for tariff reductions as part of a Phase I deal with the US remains (Reuters <https://reut.rs/33PsLEB>.) Mr. Trump's reversal Wednesday saying talks were "*going very well*" was very good for US equities.

Yet as noted in Wednesday's 'December 15th Crunch?' ALERT!!, for all of his renewed optimism on the US-China talks, any lack of an actual deal still leaves the door open to heightened Chinese tariffs. That assessment also noted reasons the December 15th deadline for additional tariffs will be deferred into January.

That said, our overall view of the trade talks likely failure has not changed. Many folks seem to think that as long as the two sides are talking this will somehow end well. This gets back to the sort of sustained 'normalcy bias' we noted for the Fed near the end of 2015 and beyond. [For more see David McRaney's '*YOU are NOT so SMART*' (Gotham Books 2011, pp. 53-63.)] The question is whether Trump actually believes this, or is just playing politics and assuaging his own ego?

He is likely rue to admit talks are failing after his major deal success fanfare back on October 11th. The politics have to do with him not needing any more negative press during the admittedly partisan US House impeachment process, and also not wanting to upset US consumers into the end of a strong holiday shopping season. That will be behind him into January, which is also when impeachment switches over to the far friendlier Senate; watch for a real reversal of headlines.

Yet what has the impeachment process meant to the markets? As we suspected would be the case, not much... with more focus on the US-China talks. And as long as the President's and public's 'normalcy bias' continues to look for a good outcome, it is unlikely the US equities will suffer. That is also due to the 'Santa Portfolio Manager' seasonal (www.rohr-blog.com) still being in place this month.

Of course, that also means global govies can come back under pressure as we have seen since Wednesday's sharp recovery. They are back into more critical areas as we head toward Friday's US Employment report, which is more critical after the much weaker than expected US ADP Employment Change. Will govies benefit from weak indications even if that might not mean much to US equities? Or after recent weak data will Friday's report put govies back under pressure?

This is the 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/2r9CjwT>), 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 the rally into 3,105-10 this week, with a buffer to recent 3,090 reaction lows. Yet it had violated those lows, leading to the retest of previously violated resistance.

That includes the 3,065-70 range where it overran the Oscillator resistance into that weekly topping line back in early November. Of note, weekly MA-9 and a key lower Oscillator threshold are also in that area, which held on Tuesday's extended selloff. Now back above 3,090 and 3,105-10 leaves 3,145-50 higher resistance.

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