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From: ROHR Alert <rohralert@gmail.com>
Sent: Monday, December 16, 2019 9:23 AM
To: undisclosed-recipients:
Subject: ROHR ALERT!! Truce and NOT Peace Treaty

Dear Subscribers,
Much has been made of the successful US-China Phase I deal. However, to be clear this is a truce (i.e. short-term cease fire) and not a full peace treaty. This is not to diminish its potential impact, especially on market psychology. US equities rightfully surged both on anticipation and in the wake of the announcement, accompanied by emerging currencies strength. Yet the resilience of the global govvies belies any thought the 'deal' restores global business confidence.

This is due to the degree to which the business community will likely need more convincing things are going to remain constructive beyond the immediate needs of the political class in each country. Trump needed a 'win' prior to the December 15th US threat of higher tariffs, and China needs agricultural supplies. Yet even there some doubt remains over its desire and ability to fulfill the bargain; see the excellent Financial Times analysis (http://bit.ly/2tg4hYn) from Saturday.

While there has allegedly also been some progress on intellectual property rights and forced technology sharing, the bigger issue of state support for SOEs (State Owned Enterprises) has not been addressed at all. This is not a surprise for a Phase I deal. This is the major economic model change that the US ultimately needs which a communist country like China will fully resist. In the longer run it is the sort of issue which runs afoul of the WTO rules China agreed to in 2001, and will be a source of future friction. Yet that will likely wait until after the US election and some of those major Chinese agricultural purchases are completed.

Near-term challenges remain, as illustrated once again by this morning's global Advance PMIs. Those showed further weakness in Manufacturing from Asia right through Europe with the US a bit more constructive. That said, the forward view is always more important for the market psychology, as the US equities reaction shows; even if this is still likely influenced by the strong 'Santa' seasonal (www.rohr-blog.com) we noted was hitting much earlier than usual this year.

Yet as Bob Dylan cautioned us to be sensitive to over 50 years ago with his iconic "The Times They Are a-Changin'", the more subtle shifts might also be important. While a stark critic of Mario Draghi's ECB, Bundesbank head Jens Weidmann has changed his tune a bit on strict fiscal rectitude. Another excellent Financial TImes article (http://bit.ly/34poBng) on Saturday highlights his shift toward allowing a bit of public spending as long as it furthers economic growth. This has implications beyond the equities, as it might also affect the global govvies psychology (especially the strong sister German Bund) and foreign exchange as well.

This is the critical consideration
The front month S&P 500 future early November push above the weekly topping line (broken red line on weekly chart http://bit.ly/2ElPyh5) set the stage for the extended seasonal rally. That was after the major August break and September's subsequent failure above 3,000 that did not reach the 3,029.50 July high.

This reinforced the importance of the overrun 3,065-70 Oscillator resistance into that weekly topping line, held on the early November correction. Weekly MA-41 moving up $10/week meant the 3,065-70 range where it overran the Oscillator resistance into that weekly topping line back in early November remained key.

Of note, weekly MA-9 and a key lower Oscillator threshold were also in that area during the early December selloff. Back above 3,090 and 3,105-10 left 3,145-50 higher resistance last week that moved up to 3,155-60 this week. Already above that as of last week's Close points toward 3,195-3,200 as next Oscillator threshold into this week, with the next not until 3,245-50 this week and 3,255-60 next week.

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