

Alan Rohrbach

From: ROHR Alert <rohralert@gmail.com>
Sent: Monday, January 27, 2020 11:02 AM
To: undisclosed-recipients:
Subject: ROHR ALERT!! The 'Known Unknown' Carries the Day

Dear Subscribers,

The spectre of the Chinese coronavirus spreading much faster and farther than previously expected has finally brought an end to the US equities rally. That is due to it being such a severe case of the classical 'known unknown', where the full dimensions of the problem cannot as yet be determined. For more on 'known unknowns' please see our early January reference to it (<http://bit.ly/39FJvSQ>.)

This sudden insertion of a factor which the market cannot readily digest plays into two complementary factors we had also observed of late. The latter is last Wednesday's 'Priced for Perfection?' ALERT!! That was of course a warning that the US equities had extended to such a major degree since the Santa Claus rally began earlier than usual last year; shortly after the late October FOMC decision and press conference with more accommodative views than some had expected.

That set the stage for an extension of the S&P 500 Index rally above last July's 3,030 area all-time high that saw it hit 3,337.50 last week prior to the impact of the Chinese virus outbreak. As noted previous, that was an extension to the sort of 'overbought' weekly Oscillator levels typically seen prior to sizable reactions. This was the case for both the mild early 2017 reaction and the much sharper early 2018 downside debacle. Does this mean the current selloff that has begun so violently must also be more aggressive and extensive? Possibly so.

It gets back to the other aspect which we highlighted as recently as into and during the early month US-Iran confrontation. That is the old market axiom, "*The market (which is to say equities) dislikes nothing quite so much as uncertainty.*"

And uncertainty abounds in the current situation. That would seem partially due to a slow response (almost an attempted cover-up) of the viral outbreak by some Chinese officials (especially local Wuhan leaders.) Yet there is also a pernicious aspect of the current coronavirus that was not the case during the 2002-2003 China-originated SARS virus: a far more stealthy contagion profile. Whereas SARS was ultimately recognized as only being contagious from roughly the time the symptoms were obvious, that is not the case with the new virus.

Wuhan Virus (as it is now being loosely known) can be contagious for as much as two weeks prior to symptoms. As such, it is capable of a greater degree of what we shall deem 'asymptomatic transmission'. See Sunday's very good article in Quartz for more detail (<http://bit.ly/2GpUceH>.) That is now, and will remain in the short-term, an aggravating factor for the 'uncertainty' which the market dislikes.

The problem is not just the nominal virus spread into other countries. It is also as we noted late last week that this is all accelerating right into the major Chinese Lunar New Year travel through the end of this week. While the authorities had locked down many public venues and mass transportation, they have not been able to prevent private travel (i.e. in cars and vans.) Therefore, the ability of the virus to continue to spread over the next few weeks, and

transportation authority attempts to limit movement elsewhere are rendered ineffectual by their inability to determine whether someone is infected merely by screening for symptoms.

So what does this all mean for the markets? In the first case, the US equities have both good news and bad news in the extent of their late 2019 seasonal rally into January. The good news is that it is unlikely they will turn into a bear market unless they fail back below that November upward acceleration in the wake of the late October FOMC meeting. Yet that is also the bad news, as it was all the way back down in the 3,070 area. While it might seem a long way down, consider all of the positive 'macro' psychology that flowed the US-China Phase I deal signing.

That is now threatened by the extension of a negative outlook for the Chinese economy that should have been improving due to some tariffs reduction. In the case of the return already of high volatility it is unwise to presume how quickly the markets can move between major trend levels. If there is a level in between that might offer the US equities some respite, it would be the support tested and held during the US-Iran confrontation (more below.)

Reinforcing all of this is the strength of the global govies, which have surged beyond important trend resistance areas. It is also no surprise that the recently resilient emerging currencies have come back under some significant pressure.

This is the critical consideration

The front month S&P 500 future early November push above weekly topping line (broken red line on weekly chart through last Friday <http://bit.ly/2uAjrV>) set the stage for the extended seasonal rally. That was after a major August break and September's subsequent failure above 3,000 (short of 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 remained the 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 3,155-65 higher resistance.

Already above that in early December pointed toward the 3,205-10 area that was overrun as well. That set the stage for the rally extension to the Oscillator range that moves up to 3,295-3,305 this week, with the lower range up to 3,245-50. That said, the most important pre-holiday period congestion was the 3,200-3,190 area tested and held during the US-Iran confrontation with minimal slippage; and is now the interim support this side of that more major 3,065-70 overrun resistance.

As noted in the 'priced for perfection' perspective, the 'fly in the ointment' for March S&P 500 future was the extended rally leaving it above that 3,295-3,305 weekly Oscillator threshold (now violated support.) That left it vulnerable to the more major correction which now seems to have begun. The ultimate bull trend support does remain that 3,065-70 overrun resistance from last November.

[For those of you who are higher level www.rohr-blog.com subscribers, see the latest analysis and Market Quick Take in the daily emailed ROHR-BLOG research notes and occasional posts for more on global the Evolutionary Trend View.]

NOTICE: The Rohr International, Inc. research team or its principals may already have entered positions or have orders working based on this view.

Thanks for your interest.

This Current ROHR TREND ALERT!! will be available soon via the sidebar at www.rohr-blog.com for Platinum echelon subscribers.

Please reply '**Unsubscribe**' if you no longer wish to receive these emails.

Contact: rohralert@gmail.com

This review of market positions and all other information is strictly for educational purposes. This information is provided without consideration of portfolio requirements, suitability for financial risk, or psychological state of any recipient. Any use of this information to implement actual trades or investments is the sole responsibility of the individual or entity authorizing that decision. This waives your right to any claim of explicit or incidental liability for financial loss or forgone profit against Rohr International, Inc. and any informational contributors under all circumstances. Information contained herein may have already been disseminated to others who may have acted upon it. Implicit in the Rohr educational services is the understanding that principals or employees of Rohr may have already taken positions. By review of the Rohr Alerts and/or Rohr Views and all attendant information you confirm receipt of them as educational content, as well as agreement with all of the stipulations articulated above.

A service of Rohr International, Inc.

© 2019 All international rights reserved. Redistribution strictly prohibited without written consent