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From: ROHR Alert <rohralert@gmail.com>
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To: undisclosed-recipients:
Subject: ROHR ALERT!! Powell Put?

Dear Subscribers,

The question mark in the title of today's ALERT!! is less a matter of whether the 'Powell Put' exists, yet rather more so whether it will be effective? And it is not just the Fed, but all major banks now committed to further accommodation if the Chinese COVID-19 virus spreads. Even with that, there is a question over whether that will fully offset the impact of the virus' supply chain disruption?

Let us be perfectly clear this is not 2007-2008, because major commercial banks are NOT leveraged into toxic MBS (mortgage-backed securities) that literally almost wiped out the developed world's financial system. COVID-19 is an exigent event that requires the sort of aggressive action all of the major countries are currently pursuing. And we are coming to you quite a bit later than usual in order to review the latest insights on why COVID-19 may be more of a lingering, stubborn commercial impact than the more hopeful among us might suggest. This gets back to Monday's ALERT!! link to the very good Sunday Reuters article (<https://reut.rs/37BPRAi>.) That was fairly comprehensive in noting both the once again accelerated infection spread as well as the economic impact on already weak Asian economies; especially the problem of supply chain disruptions. In that regard we suspect the risk to US equities and other markets might be greater than the comfort inferred from accommodative central bank missives.

Of note, Apple has just issued a Q2 profit warning based on both Chinese supply constraints, and lower retail activity due to extensive store closings. The latest informed views come from a series of CNBC interviews this morning. The first was comments from the estimable Mohamed El-Erian (<https://cnb.cx/2vGtrAK>), returning to his theme that central bank action has 'deeply conditioned' market participants to react to shocks as being "containable, temporary and reversible."

He goes on to explain (from 01:50 onward) why he is less sure that the COVID-19 impact will result in a typical 'V' slump and recovery. He notes that central bank stimulus is classically good for financial assets, yet in this case cannot do anything to get folks back to work or out to shop while virus countermeasures remain in place. This further reinforces our instincts from our January 29th 'Dr. Powell to the Rescue?' ALERT!! On the central banks lack of tools in this case.

Yet the concerns over COVID-19 are worse than that in a way that reminds us of the sanguine 2007-2008 psychology on central bank action being a panacea for seriously over-extended US housing values. For those who were not yet involved, an October 2007 larger-than-expected FOMC 50 basis point rate cut shoved the US equities up to new all-time highs (front month S&P 500 future at 1,586.75.) That was the last hurrah prior to the lengthy slide into the October 2008 crash.

So what are the reasons for concern the COVID-19 impact might be greater than current received wisdom might imply? With El-Erian still onboard, CNBC also brought back a COVID-19 expert whose insight we first highlighted in our January 31st ALERT!!: Dr. Syra Madad (NYC special pathogens program.) Her thoughts (<https://cnb.cx/2P4e0sZ> 00:20-01:15) based on current virology are substantially that the outbreak "...will likely get worse before it gets better", including the US.

She notes once again that China ignoring mild cases (as also noted by Dr. Scott Gottlieb in an earlier interview linked below) means that many cases are going unreported, and the total infections are therefore likely much higher. It is also clear to her (from 03:40-04:00) that COVID-19 is much more like seasonal flu in being far more transmissible than SARS. On the topic of a vaccine (04:45) she is not very hopeful, noting that we are likely at least six months away.

All of that followed an earlier interview with the highly informed former US FDA Commissioner Dr. Scott Gottlieb (<https://cnb.cx/2uVAsh4>), which reinforces the worst fears on the potential virus spread and its commercial impact. He was especially focused on the spread outside of China (02:10-03:15.) While he notes Singapore seems to have done a good job of controlling its outbreak, “but Japan seems to be on the cusp of a large outbreak, and maybe epidemic growth there.”

He also notes how little China knows or is sharing about cases outside of Hubei, and also (03:55-04:55) COVID-19 “...is more contagious and more virulent than seasonal flu...” with some very interesting stats on contagion and fatalities.

While the US equities and other markets’ response has been limited to date, even to the challenging Apple forward guidance, whether central bank accommodation can assist with the commercial situation on the ground is at the very least more problematic than other recent challenges like the US-China tariffs confrontation. That could be solved by government agreements; COVID-19 impacts cannot.

This appears to us to be the reason that global govies have been so resilient on any of their recent setbacks, and emerging currencies along with the euro and Australian dollar have been under more pressure once again.

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 through last Friday <http://bit.ly/39BCipW>) set the stage for the extended seasonal rally. This reinforced the importance of the overrun 3,065-70 Oscillator resistance into that weekly topping line, which then held on the early November correction. It then pushed above higher resistances like ultimately 3,205-10 area. That set the stage for the rally extension above the Oscillator range in the 3,295-3,305 area that increased to 3,335-45 this week.

That meant early February was all about whether March S&P 500 future could overrun the late-January 3,325.00 weekly DOWN Closing Price Reversal (CPR... Tolerance to 3,330.25.) And it did so, even if it slipped back into that area for that weekly Close. This was also important as a key 3,325-35 Oscillator threshold last week, with the next upside area not until 3,380-85 moving to 3,390-95 this week.

This makes the response to the data and especially central bank psychology (a ‘Powell Put’?) very important on the recent shift to the ‘bad news is good news’ psych after some further weak global data. Lower supports if it weakens are back at 3,325-35, in the 3,300-3,290 range and again into the mid-3,200s.

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