

Alan Rohrbach

From: ROHR Alert <rohralert@gmail.com>
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To: undisclosed-recipients:
Subject: ROHR ALERT!! It's a Deal! Now What?

Dear Subscribers,

Now what indeed? Implementing the US \$2.0 trillion COVID-19 rescue package will be challenging, yet leaves markets trading on hopeful anticipation. Yet is it going to be the 'snap back' to normal the US Fearless Leader has hyped of late?

Probably not. That is true on two major levels that include both thorny rescue package implementation issues as well as the general US and global consumer psychology. And we are going to shift into market activity analysis we feel speaks to those concerns after only a brief review of the salient 'macro' factors today.

As noted in Tuesday's 'US Political Follies' ALERT!!, the Democrats stalling the US rescue package passage was mostly misguided. It created unnecessary concerns for the US and global economy, and of course equities and emerging currencies. We will allow they raised a couple of issues that were enlightened, like the need for oversight on US Treasury disbursements to major corporations.

Yet sensing this critical legislation needed to be passed on an emergency basis, they also tried to ladle in significant social legislation they had been frustrated in passing during normal times. As Senate Majority McConnell put it, they tried to accomplish their 'Green New Deal' goals under the emergency legislation.

While trying to say it would support jobs, where do items like wind and solar tax credits and even a major stipend for the Kennedy Center for the Performing Arts fit in while Americans were anxious about being deprived of incomes? As noted Tuesday, it felt like they were operating under Obama advisor Rahm Emanuel's observation, "*You never want a serious crisis to go to waste.*" Yet ultimately rational heads prevailed, and the package was shorn of most excessive items.

Now we must consider President Trump's recent assertions that major 'pent up demand' will likely fully restore the US economy in short order. While we will allow in this case the natural promoter is rightfully fulfilling the US leader's role of Cheerleader-in-Chief, this is misguided on several levels. In the first instance, the rescue package flows notwithstanding, it is going to take a little while for funds to actually reach businesses maintaining payrolls and folks who do not work for major corporations... a vast number of independent contractors.

That's for the near term. In the longer run, will consumer psychology 'snap back' to its previous strong sentiment and spending? Also probably not. Even before the COVID-19 epidemic came to the US, early on informed observers questioned whether Chinese consumers were going to be as aggressive as previous?

It has come as a bit of a shock to them, and now all global consumers, that the debt-carrying pay-as-you-go mentality leaves them at risk to occasional sharp economic downturns. COVID-19 has illustrated this in a manner that lesser crises could not have accomplished. And we will be back to all of that in the blog post this afternoon that we promised yesterday, yet deferred until after the US rescue package actually passed. Now we know the full contours.

Market responses have been similarly nuanced, reflecting removal of immediate crisis threats while maintaining quite a bit of circumspection. It is of interest that the June S&P 500 future is back above the most recent failure below the late 2018 2,413-09 UP CPR (more below.) Yet far more major higher resistance is the recent major low-2,600 area DOWN Break (chart link

below.) That would be a reasonable level at which any rally will likely now stall if indeed end demand (both consumer and by extension commercial) is weaker in the intermediate term. This is all reflected in the global govies only slipping a bit today after recent fiscal concern selloffs, likely signaling they are not too concerned about any inflation resurgence with a weaker global outlook. Emerging currencies are similarly firming a bit, yet not all that much in the context of their recent debacle. And developed economy currencies are firming a bit against the US dollar now that the slightly less stressed outlook and Fed intervention have buffered the recent US dollar 'haven' bid. It all feels better, yet still more than a bit fraught.

This is the critical consideration

COVID-19 virus spread had caused US equities intermediate-term bull psychology to 'crack'. Did this signal a 'breakdown' into a bear trend? The current overall selloff below front month S&P 500 future 2,600 area being a fresh DOWN Break would speak of that. As bad as US equities already looked on the violation of key congestion around mid-2019 highs (highlighted in our previous 'Crunch Time' ALERT!!), the 'broad' trend support has also now been violated.

2,600 area was the lower US equities trend support on the longer-term weekly chart channel (<https://bit.ly/2xl5MXe> updated as of Friday's Close) from the major early 2016 1,802 low. That is in addition to front month S&P 500 future violating the support from the push above the multi-year topping line at 3,070, the 2019 3,030-00 previous all-time high congestion and then leaving late-February's 2,970 DOWN Break below the up channel (from the 2,313 late 2018 low.)

That was recently also below front month S&P 500 future congestion in the already noted interim 2,850 area followed by the more prominent 2,750 area. That 2,600 area broadest weekly channel support (48-month MA) had a Tolerance to late 2018's 2,413-09 weekly UP Closing Price Reversal (also historic congestion.)

The 2,313 (more historic congestion) extreme low trade of that UP CPR since the late 2016 rally was also violated prior to US rescue package recovery. Therefore, the near-term decision will rest with how well it does from around the low 2,400 area, and especially what happens on any test of the far more major 2,600 area.

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