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From: ROHR Alert <rohralert@gmail.com>
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To: undisclosed-recipients:
Subject: ROHR ALERT!! Forbearance Bites

Dear Subscribers,

US Nonfarm Payrolls dropped 701,000 in March. This was and was not a surprise, as there was little doubt job losses were huge. Yet many felt they would not be reflected in the March numbers due to the sample period ending March 12th. The question now is whether BLS found a way to bring subsequent numbers forward, or did the layoffs begin sooner than the ADP estimate reflected on Wednesday?

In any event, this supports changing from Wednesday's '...Good is Bad' ALERT!! title to Thursday's more dire "'Good' is Actually Horrible" headline. That is now obvious on the impact of Mr. Trump's otherwise 'good' decision to take expert advice on extending the US 'social distancing' guidelines until the end of April.

Yet the silver lining noted Thursday morning remains US equities seeming to take it in stride. They are only sagging a bit this morning after gains Thursday in the wake of another round of Brobdingnagian US Weekly Initial Jobless Claims: the 6.648 million new all-time high. In that US equities are also remaining above the key lower support we have heavily highlighted of late (more below.)

How could this be? Well, according to the old axiom that we have repeatedly highlighted again of late, "*The market is a creature of expectations*." And based on announcements from both major corporations and small businesses, there was little doubt that layoffs and furloughs would be sharply increasing.

Yet near-term pressures from economic impacts of social isolation fall especially hard on some small businesses. A major portion of those 701,000 job losses was in leisure and hospitality. And that is especially striking for bars and restaurants (which have rightfully been shut) as a major portion, shedding 459,000 jobs!

However, as also noted previous, the US government $2.0 trillion rescue package funds are soon to be accessed by many companies. At that time the depressing near-term levels of unemployment may partially (hopefully substantially) reverse. (see Wednesday's ALERT!! for more on the somewhat likely 'rehiring' scenario.)

Yet the forbearance issue has raised its ugly head, as we had suspected in last Friday's 'Think Implementation' ALERT!! As this is unfolding as we suspected, we will repeat our insight from that ALERT!! with the added note that recent stories are already highlighting complaints from landlords that if rents are suspended, they cannot pay their bills. They will risk declaring bankruptcy. From last Friday:

"'Forbearance' is a term the US government has bandied about a lot in recent suggestions on how we can all get through the crisis. Fair enough. Sounds very comforting and optimistic. But will it withstand the test of commercial reality?

"'Forbearance' has a specific legal definition: refraining from exercising a legal right, especially enforcing the payment of a debt. And of late the US government has told debt holders and landlords owed rent to show forbearance in collecting scheduled payments and rents while their tenants or borrowers have no income.

"That's great… but there is no mechanism in the US Code which outlines how to proceed, and therein lies the rub. Here's a real-world example that illustrates the dilemma. The major US

restaurant chain The Cheesecake Factory just informed its landlords that due to having no income, they would be completely suspending rent payments for now. Might the landlord want to show 'forbearance'?
"Sure. But does that landlord own the building, or does it have a commercial mortgage? Chances are good it is the latter in most cases; and it likely counts on the rents to make monthly mortgage payments. So now we move on to whether the lender will show 'forbearance'. Maybe they would like to as well, and all major banks are thankfully very well-capitalized and expecting to take an earnings hit.
"Yet that might also require that bank is ready to carry more debt on the books that are non-performing loans (NPL) in the short term. Will they get the latitude to do so from their regulators? Will there be adjusted guidelines from the Federal Reserve, FDIC, the Securities and Exchange Commission and others? It may be.
"Yet all of this illustrates that the lack of any such 'crisis adjusted' legal structures leaves room for local and regional parochial interests to hamstring the otherwise enlightened federal effort at popular and commercial support."
Back to the present, markets remain much the same as Thursday, with US equities still vulnerable while showing they have already 'discounted' quite a bit of likely economic weakness. In global govvies the US and UK are keeping the bid while the Bund still seems subject to fiscal worries. Foreign exchange has seen a return of the US dollar bid despite bad news, with further modest strength against developed currencies and intensified weakness in some emerging currencies.
Courtesy Repeat of Thursday's critical consideration
COVID-19 virus spread caused US equities intermediate-term bull psychology to 'crack'. Front month S&P 500 future was already back below key congestion around the mid-2019 3,030-00 previous all-time high congestion (see our previous 'Crunch Time' ALERT!!)That was also below support from the push above the multi-year topping line at 3,070 as well and left the late-February 2,970 DOWN Break below the intermediate-term up channel (from the late 2018 low.)
Did this signal reversal into a bear trend? Maybe not, but the subsequent fresh DOWN Break below the front month S&P 500 future 2,600 area major up channel would seem to indicate it is. That is from early 2016 low (https://bit.ly/2JpuJnl updated as of Friday's Close.) That is now key higher resistance (Tolerance to the 2,675 trading high of the week ending March 20th, and including monthly MA-48.)
That was after US equities already looked bad on the violation of the interim 2,850 area followed by the more prominent 2,750 area, with that broad 3,000 area above as well. The key lower support remains the 2,400 area with some minor Tolerance it recently traded well-below. And lower supports remain the 2,313 (more historic congestion) extreme low trade of the late 2018 UP CPR along with 2,200 mid-2016 congestion traded below last week. More major lower support is not until major all of 2015 2,125-00 congestion, and hefty 2013-2016 congestion at 2,000-1,970.
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