

## **Alan Rohrbach**

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**From:** ROHR Alert <rohralert@gmail.com>  
**Sent:** Tuesday, April 7, 2020 10:01 AM  
**To:** undisclosed-recipients:  
**Subject:** ROHR ALERT!! Near-Term Game Changer

**US equities have surpassed a key resistance right in the face of concerns about how the economy will function even after the current aggressive COVID-19 epidemic spread passes. And there are hopeful signs the infection rate is peaking even in hotspots like New York and New Jersey. And it is fair to allow that would be sufficient to foster a 'relief rally' in the US equities. Yet that does not point to how social distancing will diminish near term, short of there being a vaccine.**

**Barring some sort of miracle breakthrough and FDA waiving its normal testing, the latter is still at least 12 months away. As such, public attendance businesses like restaurants and coffee shops, airlines, arenas and concert venues, etc. are going to be challenged by significantly reduced turnover. In just one area, how many restaurants (already on thin margins) are viable under a 30% revenue drop?**

**As the same goes for the other businesses, how can there be the enthusiasm to consider a return to the pre-covid-19 earnings that drove equities valuations prior to late February? This would call for the US equities (and others) along with the other asset classes looking past the current difficulties. In late 2008 this was characterized as 'looking beyond the trough'. That proved to be short-sighted, as the US equities failed at resistance, and did not bottom until March of 2009.**

**Yet as we noted in Monday's 'US Equities Resilient...' ALERT!!, they were already holding up late last week despite Brobdingnagian US job loss indications with more expected in the near-term (see our video <https://bit.ly/3e10fWI> on the holding activity back above recently violated historic support.)**

**Certainly some job losses might be reversed by the \$2.0 trillion US rescue, due to its 'rehiring' provisions that turn loans into outright grants to many businesses likely to participate. That said, it is hard to imagine the US economy being able to look past the sort of extended trough that sustained social distancing will create this side of having that effective vaccine. Even under extension 'infrastructure' spending, it seems less than adequate to carry the economy for many months.**

**Yet there is more: Current rumors are that the Fed is working on a very atypical (for the Fed at least) major Main Street Lending Facility. This is something that is classically proscribed for the Fed, which is not supposed to be a direct lender and cannot afford to take any losses. Yet there are allegedly discussions on how it can leverage Treasury funds to infuse another (wait for it)... \$4.0-5.0 trillion. See a very good CNBC Steve Liesman segment (<https://cnb.cx/3e6F3Po>) on this.**

**For context, think back for a moment to 2008. Treasury Secretary Paulsen begged for greater authority (a 'bazooka') to intervene when he saw some major banks at risk of failure. He actually begged Democrats (interestingly enough then Speaker Nancy Pelosi) down on one knee to not blow up the TARP rescue program. That ended up initially providing (at that time outrageous sum of) \$105 billion; and that was just to save viable banks, who paid back those loans with hefty interest.**

Of course, the financial business bailout was necessary, yet well short of shutting down or slowing the entire US economy. It is therefore no surprise the current situation calls for 'a bigger bazooka', and the Fed seems to be working on that. Does this mean US equities are now good again back above that key resistance?

Possibly, or maybe they will end up weakening back below it at some point. What we know for now is that the current strength means they can treat that lower area as near-term support on the way to higher resistances (more below.) Emerging currencies rallying reinforces that sentiment shift, as does the global govies weakness after they had recently stalled into their respective resistances.

This is the 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 seemed to indicate it was. That is from early 2016 low (<https://bit.ly/39HVPR9> updated as of Friday's Close.) That was the recent key higher resistance it has just exceeded on the violation of its Tolerance: that was to the 2,675 trading high of the week ending March 20th (and includes the monthly MA-48) As such, it is reasonable that the June S&P 500 future will now treat the low 2,600 area (with a Tolerance to the mid-2,500 area) as support. This leaves front month S&P 500 future up into a broad higher range, with the top back into the 3,000 area. It must be allowed that along the way the previously violated supports at interim 2,850 area along with the more prominent 2,750 area are nearby resistances.

That brief TrendView video (<https://bit.ly/3e10fWl>) updated as of Friday's Close is also available to highlight key elements that enhance our current assessment.

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