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

Dear Subscribers,

Add to other Rohr axioms, "*Crises foment government and central bank responses*." That has been the case once again, as Fed Chair Powell stretches the paradigm. When Ben Bernanke executed the first round of Fed QE expanding its balance sheet in 2009, nobody could have imagined it intervening in credit markets to a degree which included unsecured, asset-backed commercial paper.

Yet after a mid-March announcement, that is exactly what it is involved with at present (see Tuesday's Reuters article https://reut.rs/3bcEGAL for more.) As is rightfully noted by Raymond James' head of fixed income Kevin Giddis, "Just knowing it is available has helped to calm the market." The classic definition of a 'put'. And nobody seems to care anymore about the size of the Fed's balance sheet under current circumstances has ballooned to a record $6.42 billion.

Fair enough, as this lubrication underpins US equities by guaranteeing gears of the 'machine' will not seize up. It explains a lot about why they have been resilient on recent selloffs, even under pressure from serial abysmal US and also global economic data. Yet there is another factor at work: constructive anticipation.

This goes back to our March 11th 'Anticipation versus Desperation' ALERT!!, shortly after which desperation carried the day on the lack of any US government response. That led to the front month S&P 500 future meltdown below the key 2,600 area (more below.) Yet recent constructive anticipation has led to a sharp recovery well above that key Evolutionary Trend View area. What's different now is a combination of government and central bank action and epidemic outlook.

In the past week June S&P 500 future has pushed above more resistance above the 2,600 area, most recently abetted by the Trump administration US economic reopening plans combined with very preliminary clinical results on a therapeutic for COVID-19 infection. Not a vaccine, yet still helpful in addressing some of the general public's fears on their exposure as they adapt to the 'new abnormal'.

And therein is the crux of the matter for the return to a less dire situation for both the US and global economy as well as the markets. As many informed observers have noted, the economic crisis is so acute because it is a 'demand' depressor. However, the way in which the US equities have acted, and especially any further escalation, seems to indicate a rapid return to economic conditions from October 2019 (shortly before Fed assurances that allowed them to run up from there.)

That equates to the front month S&P 500 future in the 2,970-3,030 area, which is very substantial resistance on any further current improvement. As such on the broader 'macro-technical' perspective, even under some US economic reopening, will the outlook into this Fall (given a US equities 6-month forward discounting model) sustain anticipation of a return to conditions last seen in late 2019?

Frankly, we remain skeptical. Yes there is short-term enthusiasm (knee-jerk buying) on the Gilead Sciences' remdesivir study (see the STAT article on its limited success https://bit.ly/34JVhcC.) Combined with the Trump administration US reopening guidelines, this

seems to be driving US equities toward surpassing the next resistance on the way to hitting the higher key price levels noted above.
Yet, remdesivir is an intravenous drug only capable of being administered in hospitals to those who are already ill. As savvy international emerging markets investor Mark Mobius noted on CNBC this morning (https://cnb.cx/2VuTIuU) (reinforcing what the estimable Mohamed El-Erian has been saying for a while)...
"*...the earnings hit on so many companies around the world (not only in emerging countries but developing ones) has not really sunk in, and once those earnings hits come out then people will have second thoughts*." He added, "*I expect another correction, because this recovery has been too fast*." In part that is due to his expectation any return to real 'normal' will take at least a year.
This exactly conforms to our view, and is why we remain skeptical of US equities (especially into the higher 'macro-technical' resistance areas), friendly to global govvies whenever they weaken, problematic on developed currencies (depending on the near-term phase), and suspicious of emerging currencies. The latter is very much due to the economic hit that Mobius referenced, and especially the likely extended depressed commodity outlook. Look at recent Crude Oil activity.
And after the more extensive background and commentary of the past few days, that is our blessedly brief (relatively speaking) assessment into the weekend.
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/2wxaZv6 updated as of last Thursday's Close.) That was the recent key higher resistance it has now 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 previously violated supports at 2,850 area along with the more prominent 2,750 area (already above) are nearby key levels.
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