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From: ROHR Alert <rohralert@gmail.com>
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To: undisclosed-recipients:
Subject: ROHR ALERT!! More Anticipation ...Rightful or Not: FINAL CORRECTION

Dear Subscribers,
Noted in Monday's 'Anticipation ...Again' ALERT!!, the bottom line for US equities is a positive tone based on hopeful anticipation despite continuing 'colossal cross currents'. On it goes, with the June S&P 500 future overrunning the next key interim 2,850 area resistance early this morning. This extension of the recovery rally was easy enough to anticipate once it had violated the major lower DOWN Break resistance in the 2,600 area (more on all of that below.)

Yet many challenges that bring the current US equities trading levels (or even more important higher prices) into question remain. There are myriad health, economic and financial influences, some of which encourage current enthusiasm while others bring it under serious suspicion. Primary supports for the current US equities rally are US government rescue programs and now Brobdingnagian Fed largesse extending into heretofore unseen areas, and one more important thing...

...benighted or not, the uneven partial 'reopening' of the US economy on a state by state basis. Some states are more aggressive than others, with some southern states even more forward than the phased guidelines suggested by the White House (https://bit.ly/3eUKRvs.) The hardest hit northeastern corridor states are being rightfully more circumspect. As it is a very light economic data day early in a heavy data week, we must presume 'macro' psychology is still the driver.

Yet it is important to note that this is likely a 'short-term tactical' phase versus the strategic 'long arc' of the US equities trend, and associated trends in other asset classes. Especially note how the global govvies are higher today despite the US equities extended strength. It is often said the bond market is the equities smarter older brother. And this has shown through in various historic market phases.

While a much more distended modern bear trend that at present (as almost all of them are outside of 1987), 'macro' psychology reminds us of Spring 2008. A quick look at the partial 2007-2009 chart (https://bit.ly/3aLtGZW) shows how the gradual late-2007 to early-2008 S&P 500 bear trend had an upside reaction peaking in May 2008 around the important low-1,400 area congestion (also weekly MA-41.)

There was also an abiding sense that the already accommodative Fed along with government funding would get the economy and markets past the looming Credit and Housing Bust. Very similar 'market looking past the trough' thoughts to those which are widely disseminated in certain quarters at present were prevalent back then, possibly due to a lack of understanding of the banks' vulnerability.

Just to be clear, this is NOT an analog for the future activity if the current upside reaction fails. To equal the drop into late 2008 from the 2007 high back then to the March 2009 low, the new low below the current more aggressive initial drop would project current front month S&P 500 future to a new low of roughly… 500!!

As bad as we believe things are going to get, that still seems a needlessly negative assumption. However, things might still get quite weak as the implications of a goodly number of small business failures will indeed push up the sustained US Unemployment Rate for an extended period of time. This is more reason to believe the previously upbeat assumptions into early 2020 are not going to be repeated anytime soon. In fact, it will more likely be the opposite.
Yet the situation today is worse than 2008 in being a 'natural' crisis instead of a 'financial' problem that can be solved by throwing money at it. While we will soon explore further in a fresh Rohr-Blog post why we appreciate his analysis, there was another important CNBC interview of Hayman Capital Management founder Kyle Bass (https://cnb.cx/3f4VMDd) this morning on a broad range of topics.

Important ground on the likely path of the US economic reopening was explored at length (01:15-02:30), followed by Bass' views on the Fed rightfully extending its efforts to being 'all in'. He is also a 'China hawk', and explained the problems it is creating at present and also its weaknesses. Yet the most important bit is at the end (after 07:45) on the continued social distancing issues for the sustainable performance of the US (and by extension global) economy later this year.

We have also touched on the degree to which many businesses that will need to operate at reduced capacity are not going to be viable; and even the survivors will not be as profitable as prior assumptions had hoped. This gets back to the current US equities trend as June S&P 500 future approaches the very important 3,000 area. The technical side of 'macro-technical' context is clear on the much heavier resistance being up in that area. As important is the 'macro' psychology:

An accommodative late-October 2019 FOMC along with expectations of higher earnings and multiple expansion drove the front month S&P 500 future above the previous hefty 3,030 congestion. Without any consideration of more complicated technical trend factors, what are the chances the net earnings flow of USA Inc. will encourage overall equities valuation greater than that anticipated between November 2019 and the highs in February 2020?

Even though on a technical basis we anticipated US equities could rally once they Negated the key lower DOWN Breakout, we remain skeptical they can sustain any valuations above the previous inflection point from which they were so bullish last Winter. As a final technical thought, despite the sharpness of the selloff, the front month S&P 500 future weekly MA-41 is also in the 3,000 area… just sayin'.

Courtesy Repeat of Monday'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 seemed to indicate it was. That is from early 2016 low (https://bit.ly/3cQiYD1 updated through last Friday'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. The key levels along the way are previously violated support at 2,850 area along with more prominent 2,750 area. It held below the latter on last Tuesday's slide without ever nearing the 2,675 Negated Tolerance of the 2,600 area DOWN Break.

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