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From: ROHR Alert <rohralert@gmail.com>
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To: undisclosed-recipients:
Subject: ROHR ALERT!! Friendly Fed Anticipation?

Dear Subscribers,

Here we sit, waiting on the next communication from a US central bank that has been as accommodative as anyone might have asked. Recent major emergency rate cuts along with other significant QE steps were quite a bit more than some had expected; and more than some consider long-term healthy for the Fed.

And we are coming to you earlier than usual today due to the 'macro' government and central bank economic and financial efforts being more important than even the more current (still extremely weak on balance) economic data we are seeing.

Yet while we are also interested in what the FOMC does at 14:00 EDT today, there is little more they can do at present. After swinging rates back down to the 'zero bound' and purchasing many previously out-of-bounds debt instruments, there is only one more step beyond that left open to the Fed: purchasing equities! However, as the COVID-19 reopening has just begun, it will demure for now.

That gets us back to considering the overall US equities trend along with some thoughts on other asset classes. This is about the 'short-term' trend versus the more major 'long arc' as the economic situation unfolds over coming months. This is more important as the US equities approach more meaningful resistance after the recent impressive rally, like the front month S&P 500 future 3,000 area.

While the current recovery rally in US equities is very impressive, there is a question over whether it is the new bull market or indeed merely a recovery from the all-time most compressed bear move ever? Many challenges that bring the current US equities trading levels, or even more important higher prices into question remain. As noted in Tuesday's 'More Anticipation ...Rightful or Not' ALERT!!, there are myriad health, economic and financial influences, some of which encourage current enthusiasm while others raise serious suspicions.

Of particular note are the drags on dining and hospitality businesses from likely sustained social distancing restrictions and new disinfectant requirements. That is not just regarding government mandates; it is also part of addressing a very skittish consumer psychology. As epidemiological experts have told us COVID-19 is going to be with us for a while despite recent suppression, the public gathering psychology will be affecting these businesses despite reopening attempts.

This is where the 'short-term' enthusiasm runs up against the 'long arc' of the sustained performance for many companies, and by extension the employment picture. As we have noted previous, the outlook for the global economy and markets is heavily bifurcated. There is going to be a 'pre-vaccine' phase and (hopefully) a 'post-vaccine' effective return to a much happier time.

While some folks have alluded to the upcoming phase as another 'new normal' (like after the 2008-2009 Crisis), this is misguided. There will be nothing 'normal' about it, which is why we have chosen to deem it the 'new abnormal'. That will be the 'pre-vaccine' phase for however

long it may last; likely at least a year. And that is important for the US economy and by extension US equities, as the latter tends to discount economic and company performance 9-12 months forward.

Only once there is an effective vaccine (the 'post-vaccine' phase) will the heavy government-prescribed restrictions on the public gathering aspects of global economies be lifted, and constructive improvement in the consumer's appetite for previously normal close quarters (restaurants, gyms, airplanes, etc.) be possible. Once again note the CBS News poll (<https://bit.ly/351adDz>) on its current state.

The commercial impact on many businesses as well as the broad implications for the global employment picture should give some pause to those very friendly to the equities at present valuations. Consider last Tuesday's extensive Financial Times article (<https://bit.ly/2Yi5dcu>) on the grim future for many of those 'public' sphere businesses. In addition to the unseemly plastic screens separating clients and staff, there will be higher expenses for cleaning and personal protection.

Then there is 'the elephant in the room': the restricted occupancy at all of those restaurants and bars. We once again return to Tuesday's ALERT!! link to the CNBC interview (<https://cnb.cx/3f4VMDd>) of Hayman Capital Management founder Kyle Bass on a broad range of topics. The likely path of US economic reopening was explored at length (01:15-02:30.) 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's 'public' businesses later this year.

How many restaurants and bars and others can operate at a profit, or for that matter are a good bet to at least break even to satisfy their bankers, with receipts reduced by 30% or more? We shall see. And if the casualty rate in this area is as high as we suspect, there will be quite a few bankruptcies.

This will have a major impact on the employment situation, and will be a drag on the US economy that does not justify much further improvement in US equities. How far might they fall? That's anybody's guess. Yet we believe at least a retest of the front month S&P 500 future recently Negated 2,600 DOWN Break would be reasonable. In that case the recent rebound in emerging currencies is likely to be reversed, and still buoyant global govies are likely to strengthen further.

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/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 and the 2,750 area, both of which have now been

exceeded. It recently held below the latter without ever nearing the 2,675 Negated Tolerance of the 2,600 area DOWN Break. This reinforces the potential to test that more prominent 2,970-3,030 range.

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