

## Alan Rohrbach

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**From:** ROHR Alert <rohralert@gmail.com>  
**Sent:** Friday, May 1, 2020 9:40 AM  
**To:** undisclosed-recipients:  
**Subject:** ROHR ALERT!! Downside Volatility and Some ECB Disappointment

Dear Subscribers,

**Great News!! Major central bank accommodation confirmation! Partial COVID-19 therapeutic! Yet US equities took their first major volatile drop in weeks from early Thursday into early Friday. How could this be? Well, in fact this is exactly what we are expecting overall on the 'Short-Term' versus the 'Long Arc'.**

See Wednesday afternoon's Rohr-Blog post of the same name for much more on how the near term rally was getting up into price levels that would be much more challenging. And as if on cue, the markets are responding, with implications for the other asset classes as well. Note that the current US equities 'plop' has left the more challenged emerging currencies back under the gun after their recent significant improvement from critical price levels. And the global govies that were resilient even into the recent US equities strength have surged higher.

To be fair, extensive central bank commitments to further accommodation (see Chair Powell's press conference <https://bit.ly/3aQYOrl>) were broadly expected. And even though Madame Lagarde was equally effusive at Thursday's ECB press conference (<https://bit.ly/2VSwX5Q> Introductory Statement with link to full press conference video), there had been some expectation of the announcement of the long-awaited 'Euro-bond' pan-European funded debt instrument for even more massive funding of the Euro-zone's COVID-19 rescue effort funding.

Failure of that to materialize fostered significant price surges (lower yields) in the Bund and Gilt on weaker economic expectations. This was not necessarily big news on continued resistance of fiscally strong Euro-zone states to bonds that would benefit their more profligate southern sisters. The burghers of Bavaria can rest easy now on the German treasury not being siphoned off to Italy and Greece.

And this is the sort of major Euro-zone relationship change on which outsiders are not really qualified to comment. Yet it is a failure of the sort of strong fiscal response that may be necessary if Europe is to avoid dropping further behind stronger economies like the US as the global economy finally comes out from under the weight of the COVID-19 pandemic. We shall see how that works out.

Yet after initial headline euphoric response, it is also not a surprise US equities should fall once the COVID-19 therapeutic announcement was fully digested. However much it is great news (and it is indeed great news) that Gilead Science's remdesivir can mitigate the worst aspects of COVID-19 infection in the seriously ill, it is not a preventative... like a vaccine. Why is this so very important?

It is critical because of implications we have been reviewing for some time on the hopeful partial reopenings of US and other global economies. See Wednesday's 'Short-Term' versus the 'Long Arc' Rohr-Blog post for full review and important linked information on economics of the still 'social distancing' burdened partial reopenings. The reduced capacities of the

businesses which will survive, and high likelihood many will not, are still going to be an economic drag of significant proportions. And neither a therapeutic nor government and central bank support can fully address it... as we've been saying despite the recent US equities rally.

**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 been exceeded. It recently held below the latter without ever nearing the 2,675 Negated Tolerance of the 2,600 area DOWN Break.**

**This leaves open the potential to retest that more prominent 2,970-3,030 range, and its prominence as the key resistance. That was further reinforced by the manner in which it failed badly from near its low end on Thursday despite very positive fundamental influences; such as the central bank support all week and the COVID-19 therapeutic developments noted above. The question now is whether it can hold either the 2,850 area it had just escaped or the lower 2,750 support to foster another swing to test that 2,970-3.030 resistance. We shall see.**

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