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From: ROHR Alert <rohralert@gmail.com>
Sent: Wednesday, May 6, 2020 10:38 AM
To: undisclosed-recipients:
Subject: ROHR ALERT!! Teutonic Tectonics and Reopening Hopes

Dear Subscribers,

A national Supreme Court threatens the actions of a supranational central bank? Well, we're going to find out what happens if that tectonic shift weakens ECB's ability to assist the Euro-zone economy during the COVID-19 pandemic crunch.

To digress into market observations for a moment, US equities have rebounded as expected from lower support on the waning of immediate concerns over the US-China COVID-19 tiff. Yet any rally extension has more prominent resistance waiting at higher levels (more below.) Yet that has failed to sustain support for emerging currencies even if there is now some pressure back on global govvies.

It may seem to some that we are getting way too far into the weeds on faraway German issues. Possibly so, and it is so far only an incipient threat on Tuesday's German Federal Constitutional Court in Karlsruhe ruling leaving the door open to future approval of the ECB bond buying program if the ECB can demonstrate it was indeed "*...proportionate to the needs of the eurozone economy.*" That is according to a very good, must read Reuters article (<https://reut.rs/2yAea6d>.)

This is important for the already significant impact on ECB ability to support the Euro-zone economy to counter the COVID-19 impact. The ruling contradicts a previously 'supreme' European Court of Justice (ECJ) 2018 ruling the ECB's €2.0 trillion bond buying program was indeed legal. That was after previous ECB head Draghi's 2012 declaration it would do "*whatever is necessary*" to save the euro.

That it is a threat to the ECB's current desire to expand its bond buying and other programs to buffer the extreme COVID-19 weakness is one thing. It also hands a partial victory to nationalist forces rising in EU states (especially Poland and Hungary), who want to challenge the supremacy of European Union decisions via the ECJ. As such, it is a threat to the European Union as currently constituted.

One European Parliament member is noted in the article as saying, "*Europe cannot work if national constitutional courts decide unilaterally when the Luxembourg court has primacy.*" The question of whether there is a European 'Union' is however relevant beyond Europe. Look at the brouhaha over Brexit and multiply it by the 27 states still in the EU after the UK exit. A real trade and economic mess that would have major implications for the global economy. That is even beyond possibly constraining ECB actions if the ruling stands.

Allowing it is getting the cart waaaaay out in front of the horse to extrapolate the Constitutional Court ruling to the breakup of the EU, the German activists should mind the old axiom, "*Be careful what you wish for.*" More than a few observers (certainly in the UK) have characterized the Euro-zone as a 'German racket'.

There has been some sizable spending on more profligate 'southern sisters', yet also quite benefits to Germany and other fiscally sound northern states. One of the key benefits of

currency union is that the full value of a German currency has not had to reflect Germany's much stronger economic, trade and fiscal position.

Before they try to exercise more independence from the EU rulings, they should contemplate that sort of potential for an EU breakup... indeed an admittedly radical extrapolation of latest developments. Yet unless reversed, the German Constitutional Court ruling is a tectonic shift with pernicious implications.

The perverse part of the situation is that German Bundesbank President Jens Weidmann, often an ECB critic, has come out in support of ECB's extended bond buying in support of the Euro-zone. He might be one of the few who has worked out where a newly reactivate deutschmark would be valued relative to neighbors and other international currencies. Let's allow it wouldn't be good for their model.

As long as we are engaging in radical extrapolations, let's also consider a future Germany that once again feels it is being abused by policies of its neighbors (currency devaluations, etc.) and international forces. That fostered xenophobia twice in the twentieth century... as we recall, those episodes didn't end well.

On a cheerier note for the COVID-19 global impact, along with other countries the US is moving toward a partial reopening from the previous quarantine lockdowns. That is on a state-by-state basis, which will also give the US the ability to monitor the impact and adjust the rate of reopening. There are efforts to protect workers in congested workplaces in what have proven to be 'essential industries'... which at this point includes meat packing and others that affect the overall economy.

That said, there are still questions over whether any developments will indeed create a 'new normal'? As we have noted previous, the various restrictions on businesses are more likely to create a 'new abnormal' until a COVID-19 vaccine is developed many months down the road. For more on this please see Monday's 'Downside Volatility Indeed... Now What? ALERT!! Or the Rohr-Blog post of the same name.' There was much else on other aspects, yet with a key passage citing CNBC's Steve Liesman on the early evidence of any return of retail business:

"That CBS News poll (<https://bit.ly/351adDz>) is reinforced by recent indications on business and consumer activity, justifying all around skepticism. CNBC's Steve Liesman had a very good analysis (<https://cnb.cx/3c5kBgb>) based on multiple insights into progress of the US reopening, even allowing it is very early days.

"Yet rather than reversing, the store closings are still up 14%. Liesman points out this may be due to some stores that held on for a while, yet now realize they will not be economically viable (as we had suggested might occur.) Medically, new infections are still running at the same 30,000 cases where it has been. And even averaging cities in 10 now newly partially reopened states, according to the widely respected TomTom surveys, store traffic is still only 22% of normal rates.

"Liesman seems to agree with our views in noting there may be a secondary wave of stores closing due to economics. And he once again highlights the issue of whether consumers will return to old habits. Playing on the words of the classic 1989 movie Field of Dreams "*If you build it, he will come*", he ends his key points with the consumer proclivities question, "*If you open it, will they come?*"

"There is a good chance at least for the intermediate-term the avid consumerism of recent decades may be seeing a major reset." And so it goes. Unless the return to even a 'new abnormal' is more robust than seen in these early days, there is a clear trend toward more businesses moving from their 'liquidity' crunch to a realization they actually have a 'solvency' problem leading to permanent closure. Undoubtedly that trend will also have a major

implication for the markets trends, which are ultimately dependent on economic performance and company profits.

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 February 27th '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 the early 2016 low (<https://bit.ly/35vNBvi> 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 held below the latter in late-April 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, with its prominence as the key resistance. That was further reinforced by the manner in which it failed badly from near its low end last Thursday despite very positive fundamental influences; such as the central bank support all week and the COVID-19 therapeutic developments noted previous. The question below the 2,850 area was whether it could hold the lower 2,750 support, and it did to recover back into 2,850. Can that foster another swing to test 2,970-3.030 resistance?

For more on the overall Evolutionary Trend View on the 'long arc', please see last Wednesday's TrendView Video (<https://bit.ly/2SkZz5p>) on the June S&P 500 future developments prior to the most recent test of that higher resistance and recent downdraft. However, all of the more major trend dynamics remain the same now as discussed in the middle of last week.

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