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ROHR ALERT!! Eviscerated Economies with Encouraged Equities

1 message

ROHR Alert <rohralert@gmail.com> Thu, May 28, 2020 at 10:16 AM
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Dear Subscribers,
The 'bifurcation' of the market psychology noted in our May 8th ALERT!! seems to be back on the US equities rally extension. They are presently pushing above key resistance even as there is a continued flow of dire data and indications. While we remain skeptical, for now we respect the market trend indication.

As the preeminent market theorist W.D. Gann said a long time ago (or at least an axiom attributed to him through inference from his works), "*Don't fight the tape*." (For the unfamiliar, market quotes used to be reported out of a ticker tape.)

Impressive as the current US equities push above key resistance may be, for us the proof of any bigger trend signal is always in the weekly Close pudding. It is therefore critical to see how they Close tomorrow after much more late month data, and discussion with the Fed Chair Powell moderated by Alan Blinder at 11:00 EDT ...Watch Live at https://www.youtube.com/watch?v=4jr8PbAxem8.

What we know after Wednesday's 'Irresistible vs. Immovable' ALERT!! revisiting the recent resilience of the US equities trend into significant higher resistance is this: At least for now, the 'irresistible force' of the US equities current resilient upside momentum (more below, especially in the video) is escaping above what should have been the 'immovable object' of that higher resistance 'confluence'.

This may be the most extensive 'bifurcation' of a market psychology we have ever seen. While the US equities rally above resistance must be respected, the news and even the outlook continue to weaken from already depressed levels. The latest 'surface level' hit was today's US Weekly Jobless Claims that saw a rise of 2.123 million even as Continuing Claims dropped back a bit from massive levels. That was in the context of a more than expected minus 5.0% Q1 GDP drop.

Yet beyond the US that was after still very weak European indications today after Tuesday's OECD Q1 GDP 1.8% fall (https://bit.ly/3goTShc our marked-up version) with especial weakness in parts of Europe. That was followed by OECD G20 Q1 International Trade Statistics (https://bit.ly/2TLZkRD also marked-up), which is even more daunting in its way: It highlights how the Trump tariffs had already derailed a strong picture which is now much worse and looking to deteriorate.

Before that was Wednesday's Fed Beige Book (https://bit.ly/3de1aCC), with additional signs of further economic weakness to come. Early in the Cleveland Fed's section it notes that, "*Half of contacts reported decreasing staff levels during the current period, compared with about 40 percent that did so in March.*" Deterioration. And… "*Furthermore, only one-third of contacts who reduced staff levels expect to rehire close to the full number of separated staff when their businesses reopen. This expectation suggests employment is unlikely to climb back to pre-pandemic levels quickly after businesses reopen*."

Of course, that's not a "'Stop the Presses' for a rewrite" piece of news, as the continued social distancing and sanitation requirements during the reopenings in the US, Europe and elsewhere are going to limit various businesses' capacity… and therefore staffing needs. And it still seems this is going to impact the overall economic recovery in a way that will prevent the reinvigoration to the degree seen out of last Fall into the February highs. However, for now fiscal and central bank moves may be providing enough spending power to even the unemployed to keep hopes up, along with elevated expectations for an early vaccine.

Yet it is of note that outside of weak sister German Bund the global govvies are maintaining their bid despite the US equities rally extension. It is also the case that emerging currencies have curtailed their recent strong rebound, even if they are not weakening much again at present. Friday should be very interesting.

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. That was below support from the push above the multi-year topping line at 3,070developments as well, and left a late-February intermediate-term up channel 2,970 DOWN Break.

The subsequent DOWN Break below the front month S&P 500 future 2,600 area major up channel seemed to indicate more of a near-term failure. That was from the early 2016 low (https://bit.ly/36ukbxP updated through Friday's Close.) That was the recent key higher resistance it had violated on its push above its 2,675 trading high Tolerance from prior to the DOWN Break (including monthly MA-48.)

As such, it is reasonable 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 a top back into the 3,030-2,970 area. If it can maintain the push above that area, it might at least reach the 3,200 area.

The key levels along the way were previously violated support at 2,850 area and 2,750 area, both of which had 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 left open the potential to retest that more prominent confluence of resistance factors in the 2,970-3,030 range despite the recent slippage. That resistance was further reinforced by the manner in which volatility had returned to the downside from late April into mid-May. This created a more highly focused Evolutionary Trend View (ETV) in the form of a near-term Head & Shoulders Top pattern.

That pattern along with the other key low-mid 2,800 area technical indications 'confluence' is reviewed at length in our TrendVIew Video (https://bit.ly/2XylbNn) on June S&P 500 future 'long arc' and shorter-term (04:00-06:40) developments. There is also comparison with a 2008 front month S&P 500 future recovery rally (07:10-11:30) with important implications for the current US equities decision.

NOTICE: The Rohr International, Inc. research team or its principals may already have entered positions or have orders working based on this view.

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