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ROHR ALERT!! Working Higher

1 message

ROHR Alert <rohralert@gmail.com> Tue, Jun 2, 2020 at 10:22 AM
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NOTICE: Go Daddy Continuing Problem: We are a bit late today on the continued Go Daddy issues with the blog, and once again some links below may not work until that is resolved. They promise this will be solved by later today. Apologies.

Dear Subscribers,
Well, the US equities are not the 'Runaway Bull?' we questioned in Monday's ALERT!! title. Yet they continue to work higher. As that is above a key technical trend congestion (more below), we must assume the rally can continue for now.

Despite that being in the face of continued abysmal-to-dire economic data with a somewhat negative outlook, there are a couple of significant aspects which may be providing support. The obvious one is the continued flow of government relief largesse, even if (as noted as far back as a month ago https://cnb.cx/2yVcxAl) some of the programs are not fully utilized due to confusion over their terms.

Then there are the accelerating reopenings of COVID-19 quarantines in most US states. Yet as noted in Wednesday's 'Irresistible versus Immovable' ALERT!!, a prominent quant analyst said that he had reviewed the data, and there is no sign reopening was causing any accelerated COVID-19 spread. This is an astounding position from someone alleged to be very smart! Is he unaware of the COVID-19 2-week asymptomatic contagion characteristic, which we recognized as a problem back in late January (see the research note on the 27th)? The real test will only occur into mid-June, and judgement needs to be withheld until then.

However, there was one more little piece of information from last Friday which is sort of positive, yet more broadly a two-edged sword: the US savings rate spiking to a 33% all-time high in April. As cited in a very good, CBNC online article https://cnb.cx/3eMMRVF, experts note there is "*tremendous uncertainty and virus fear that is lingering and that is restraining people's desire to go out and spend*."

Further, "*With the U.S. consumer accounting for more two-thirds of the economy, the economic recovery depends on whether the increase in savings is a result of shutdowns or structural changes in consumer habits*…" And… "*The increase in savings came as spending declined by a record 13.6% for the month*." Of course, this is no surprise to our regular readers, who we have cautioned on the degree to which the COVID-19 economic weakness and quarantines may be bringing a major consumer rethink on the benefit of higher savings than previous.

Considering that the development of an effective, widely distributed vaccine is at the very minimum at least roughly another six months away, there are remaining doubts over how quickly the consumer culture will recover. That is based both on fears of infection by the older, wealthier population as well as social distancing requirements on key businesses like restaurants and shopping malls.

Of course, the other side of that sword is that there seems to be a large reservoir of disposable income among folks who are at least passably well-off. How quickly they are comfortable spending down any portion of that reserve in a problematic economy will be a key to the economic and market situation. We shall see.

In the meantime, as revisited recently, we follow the classic W.D. Gann advice, "*Don't fight the tape*." US equities look to work their way higher as long as June S&P 500 future remains out above the 3,030-2,970 multiple indication range from last summer into the March meltdown. The additional upbeat sentiment is now reinforced by further strength in the temporarily stalled emerging currencies. Even though global govvies are not seeing any residual weakness, they are constrained by the better psychology; especially weak sister German Bund.

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 May 22.) 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. And the front month S&P 500 future pushed out of the broad higher range top in the 3,030-2,970 area late last week and sustained it, with the 3,200 area the next higher meaningful resistance.

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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