Alan Rohrbach <ar.rohr.intl@gmail.com>

ROHR ALERT!! More Negative EU Outlook

1 message

ROHR Alert <rohralert@gmail.com> Tue, Jul 7, 2020 at 10:15 AM
Bcc: ar.rohr.intl@gmail.com

Dear Subscribers,
This morning's release of the European Commission EU Summer 2020 Economic Forecast was more dire reading than expected. Even in the brief summary press release (https://bit.ly/3gwSVTl our markup with links to the full report and other interesting analysis) leaders noted, "...*lifting of lockdown measures is proceeding at a more gradual pace than assumed in our Spring Forecast, (*as such*) the impact on economic activity in 2020 will be more significant than anticipated."*

Sound familiar? This is the same situation seen in major ways in the US that also brings into question the 'sustained' levels of economic growth we have noted. There was also an excellent Reuters brief summary (https://reut.rs/2BDgk6V) this morning, highlighting the most salient aspects. That includes a cautionary word, "*At the global level, the still rising rate of infections, particularly in the U.S. and emerging markets, has deteriorated the global outlook and is expected to act as a drag on the European economy*." We have noted this previous and still believe.

It is also a good deal of why we were so skeptical in Monday's 'Follies Continue' ALERT!! that the "...*missives about how good it is to invest in equities from (wait for it)... the Chinese government!?*" are not to be taken seriously. By the time the rookies from an organ of the Chinese Communist Party (CCP) are what inspires a global stock market rally extension, it is time to ask, "Can this be real?"

We suspect not, and the EC Summer 2020 Economic Forecast only adds to our trepidation even as the US equities seem resilient at current levels. However, we refer everyone back to the Spring 2008 US equities rally, when the front month S&P 500 future churned back up into the low-mid 1,400 area from April until early June (https://bit.ly/2VY9cZl) prior to resuming an extended bear trend.

This was very frustrating for bears who knew the Housing and Credit Bubble was deflating (present company included), yet had to wait for the bullish factors to run their course prior to the bear resuming. The difference this time is that extreme government and central bank responses are that much more supportive in the near-term compared to the foot-dragging in 2008, thereby creating a more volatile near-term rally. In the current case the hypervolatile 'panic' break has allowed for an equally hypervolatile 'relief' rally without ensuring it can be sustained. Yet we suspect there can be more US equities resilience on future government action.

Yet 'sustained' economic performance, especially as it pertains to vulnerable industries (such as dining, hospitality, travel, etc.) is the key we revisited once again in Monday's 'Follies Continue' ALERT!! This is in part due to the likely lack of profitability of those businesses, yet more importantly to levels of employment during the restricted COVID-19 (social distancing, sanitation and masks) activity.

While the Trump administration and economic optimists may crow about last Thursday's US Employment report, it was most interesting that it was brought forward (due to the US Friday holiday) for release at the same time as the Weekly Initial and Continuing Jobless Claims. That juxtaposition was most interesting.

As noted on Thursday, "...*rehiring of workers listed previously as 'temporarily unemployed' was (wait for it)... 4.8 million: the exact number of current jobs gained*..." and as such no real net gain versus the heavy layoffs out from March into April. And the relevance of that despite the cheerleaders' euphoric howls was in the weekly numbers (https://bit.ly/2ZNxp5U) that showed still elevated 1.427 million Initial Jobless Claims, and Continuing Claims still up near 20.0 million.

When and how that latter number can drop is the key to the future US (and by extension the rest of the global) economy. Short of miraculously quick vaccine development, those vulnerable high contact businesses will not be coming back to full strength and employment. (See Monday's latest YELP data analysis for more on the higher permanent business closures in those industries.) As such, we remain skeptical of the US equities (and others) due to the compound factors.

Those now include heavy layoffs in budget-stressed states and municipalities (also now including oil production states), which Chair Powell has noted was a compounding factor for slow growth after the 2008-2009 Crisis.

Yet in the meantime, the US equities are only down marginally after a heavier knee-jerk reaction to the EU forecast earlier this morning. That said, emerging currencies are not surprisingly remaining under pressure on the weaker economic outlook, and global govvies are remaining firm under that influence.

Courtesy Repeat of Monday's critical consideration
COVID-19 virus spread caused US equities intermediate-term bull psychology to 'crack'. Early March already saw front month S&P 500 future 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 3,070 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/2Vt5QxD updated through Friday June 26th due to a technical delay on last week's charts which will be addressed soon.) That was the key higher resistance it had violated on its mid-April push above its 2,675 trading high Tolerance from prior to the DOWN Break (including monthly MA-48.)

As such, it is reasonable the front month S&P 500 future will now treat the low 2,600 area (with a Tolerance to the mid-2,500 area) as support, with interim levels at 2,850 and 2,750 that were important in the recent up trend. And the front month S&P 500 future pushed out of the broad higher range top in the 3,030-2,970 area in early June and sustained it, with the 3,200 area the next higher meaningful resistance that has a 3,230 Tolerance. That is obviously what the market knew once it exceeded the 3,030 area, as it also rallied directly to 3,200 in early June.

It stalled all three days early the following week up against that 3,230 Tolerance with no sign it was going to push further, and that remains the most prominent higher resistance. After the following Wednesday's friendly Fed communication yet with no additional stimulus

announcement into a still weak economic situation (see that Thursday's ALERT!!), the US equities were extremely weak.

In the context of recent hypervolatility, this opened the potential to retest that more prominent confluence of technical factors in the 2,970-3,030 range, which it vigorously tested early week into mid-June, and had revisited at the beginning of last week as well prior to the current economic data-driven rally. That congestion is reinforced by the manner in which it churned up against the low end into May.

It was churning into the 3,100-30 interim congestion in the middle of those major ranges pending clarification of the future 'macro' factor psychology. As on the expanding COVID-19 concerns, it dropped back again early last week. Yet having recovered now leaves it in a critical near-term decision into higher levels again.

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

Thanks for your interest.

This Current ROHR TREND ALERT!! will be available soon via the sidebar at www.rohr-blog.com for Gold and Platinum echelon subscribers.

Please reply **'Unsubscribe'** if you no longer wish to receive these emails.

Contact: rohralert@gmail.com

This review of market positions and all other information is strictly for educational purposes. This information is provided without consideration of portfolio requirements, suitability for financial risk, or psychological state of any recipient. Any use of this information to implement actual trades or investments is the sole responsibility of the individual or entity authorizing that decision. This waives your right to any claim of explicit or incidental liability for financial loss or forgone profit against Rohr International, Inc. and any informational contributors under all circumstances. Information contained herein may have already been disseminated to others who may have acted upon it. Implicit in the Rohr educational services is the understanding that principals or employees of Rohr may have already taken positions. By review of the Rohr Alerts and/or Rohr Views and all attendant information you confirm receipt of them as educational content, as well as agreement with all of the stipulations articulated above.

A service of Rohr International, Inc.
© 2020 All international rights reserved. Redistribution strictly prohibited without written consent