



Alan Rohrbach &lt;ar.rohr.intl@gmail.com&gt;

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**ROHR ALERT!! California Closed!**

1 message

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**ROHR Alert** <rohralert@gmail.com>  
Bcc: ar.rohr.intl@gmail.com

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**Dear Subscribers,**

It is always interesting how the shifts in 'macro' influences seem to come along at the proximate moment the 'technical' context of markets is at a critical juncture. However much anyone would have tried to figure out what might constrain US equities that were up to their recent critical resistance (more below), even in light of the pernicious COVID-19 developments we have explored at length, we submit it would have been impossible to know Monday was the day when California Governor Gavin Newsome would have 'de-opened' a major portion of his state.

While there are certain exceptions (see CNBC article <https://cnb.cx/2CtjSsh>), it is effectively a major shutdown of dining and bars, personal care and others. This is not an isolated case, as surging COVID-19 infection rates have brought the same response to hard-hit Florida's hardest-hit Miami-Dade County. And 'de-opening' efforts are spreading, including also hard-hit Texas, Arizona and others.

With the US equities having rallied previous in the face of deteriorating COVID-19 infection news, what are we to make of Monday's downside reaction? It would seem the US equities selloff hit at the same moment as Newsome announced the California de-opening order. Yet whether it turns into a bigger reversion to a more bearish situation likely still rests with the US government. As noted in Monday's 'Congress to the Rescue?' ALERT!!, the dilemma lays in assessing whether there will be enough additional COVID-19 relief to offset the pandemic pressures.

Please see Monday's assessment to review the major hurdles on both the wide gap between Democrat and Republican spending expectations, and the very narrow time span in which those differences need to be reconciled. Yet there are also the issues with the US pandemic spread in its own right now that it has reached so far. As Miami Beach Mayor Dan Gelber noted in a recent MSNBC interview (<https://on.msnbc.com/2WhPI7W>) and also in other forums, the aversion to wearing masks and especially the lack of contact tracing are real problems.

While this is a nationwide problem, not just now in global pandemic spread leader Florida, it is most pronounced in Miami-Dade. Especially note his discussion on totally deficient contact tracing (00:50-03:10) on failures of the state. He has also noted in other interviews that the recent nominal addition of more contact tracers is meaningless now that daily new cases in Miami are more than 3,000. There is just no way to have enough tracers to reach that many people and their contacts.

It is also important to note that due to delays in test results all of the US numbers are likely roughly 6 days behind the reality on the ground. The most telling insight on this came from a staunch Republican operative who was affected personally and finally had enough. That was Monday's missive from former Trump Chief of Staff Mick Mulvaney (see the POLITICO article <https://politi.co/2OoyeNc>.)

Noting in a CNBC op-ed that it took a week for his son to get his COVID-19 test result and "...his daughter was turned away from getting a test before she went to visit her grandparents..." he is totally dissatisfied. His overall take on the issue is, *"That is simply inexcusable at this point in the pandemic."* Welcome to the club.

Yet having a sharp economic mind as well, he went to the heart of the matter on the economic implications of the pandemic, and especially the 'fear factor'. As he said, *"Any stimulus should be directed at the root cause of our recession: dealing with Covid..."*, going on to note there should be money for research, temporary hospital beds or therapeutics rather than headline economic fiscal stimulus.

It goes to the basic point we (among many others) have highlighted for months. The fear among vulnerable communities will still restrain the economy despite economic stimulus if they are heavily concerned about their infection risk.

It is still the negative of what is now the rampant acceleration of US COVID-19 spread versus the medical advances and the soon-to-be-determined degree of additional government fiscal relief. However, as the latter will not be in play until next week, expect renewed (since Monday) hypervolatility to gain pace again.

That is reflected in the US equities further slide today on some weaker corporate earnings along with the renewed COVID-19 fears. Note that September S&P 500 future has dropped back down to the top end of the interim 3,100-30 range it escaped at the end of last week. Global govies are bid again after Monday's pressure, even if emerging currencies are maintaining their recent gains for now.

This is the 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/309ONSz> updated through Friday.) That was then the key higher resistance subsequently violated on its mid-April push above its 2,675 trading high Tolerance from prior to the DOWN Break (also 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 if there is another selloff below the key 3,030-2,970, with interim levels at 2,850 and 2,750 that were important in the recent up trend. That is because the front month S&P 500 future pushing out of the broad higher range top in the 3,030-2,970 area in early June was the key to it surging to the 3,200 area. That was the next meaningful higher resistance with a 3,230 Tolerance just retested and failed on the current rally.

That is also where It stalled all three days after the early June US Employment surge with no sign it was going to push further, and it remains very prominent higher resistance. After the following Wednesday's downbeat Fed communication yet with no additional stimulus into a still weak economic situation (see that Thursday's ALERT!!), the S&P 500 dropped back to test and hold 3,000 area.

**After churning recently around the 3,100-30 interim congestion in the middle of those major ranges pending clarification of the future 'macro' factor psychology, that remains a key interim area to watch. Expanding COVID-19 concerns dropped it back again early this week, yet with the US Congress back into early next week.**

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