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ROHR ALERT!! More So China Than COVID?

1 message

ROHR Alert <rohralert@gmail.com> Tue, Aug 4, 2020 at 11:02 AM
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Dear Subscribers,
US equities backed off just a bit this morning from their previous relentless push to new current rally highs since the last test of the key 3,230-00 range last Thursday morning. Yet this is seemingly not on the continued predations of the 'extraordinarily widespread' (according to Trump administration COVID-19 Task Force Coordinator Dr. Deborah Birx) national expansion of COVID-19 infections.

It is more so attributed to the current extension of the US-China cold war on the US position on TikTok. As you are undoubtedly aware, the Trump administration (with some support from Congress) has required that TikTok parent ByteDance fully divest the US entity… and cut all relationships with the Chinese parent.

Yet beyond that is the extraordinarily (seems an adjective increasingly applied to goings-on in the US) unusual request from the White House: a major portion of the TikTok purchase price, at this point ostensibly by tech giant Microsoft, should go to the US Treasury. Even allowing that the Trump administration is known for unusual missives, this is an incredible insertion of government into a private sale.

For more details see Monday's CNN article (https://cnn.it/30s8Xsw), including the Trump quote on, "...*the United States could — should get a very large percentage of that price. Because we're making it possible*." This creates problems. In the first instance, even if the US government is making a much lower purchase price possible by forcing the sale, it represents a *de facto* US government confiscation of private property. Unheard of, and probably illegal if challenged in court.

It also allows China to claim the allegedly free market capitalist US is engaging in illegal confiscation of private assets. Not a good look for the US in its continuing disparagement of China for not following the rules. There is also the issue (noted in the article) of who will pay that portion of the sale price to the US Treasury?

Yet that continued tiff between the world's two largest economies seems to be what drove the short-term concerns of the US equities. Of course, that may just be masking the expanding US COVID-19 concerns becoming more important after the psychology explored in Monday's 'Liquidity Rally' ALERT!! COVID-19 seems to be the key factor behind the global govvies return to strength after a brief downside reaction, and further extensive weakening of the emerging currencies.

We strongly suggest a read of that longer-term inflation psychology impact on US equities for anyone who has not done so already. However, in the meantime the short-term impact of the COVID-19 pandemic in the US continues to be a very prominent economic factor, even if not reflected in US equities at present.

The US COVID-19 pandemic spread is especially affecting the smaller businesses not reflected in the major equity market indices. The problem is (once again) not that

businesses are incapable of reopening at all, but that the smaller ones lack the capital to invest in various COVID-19 protection protocols: staff retraining, sanitization equipment, protective barriers, etc. As such, more each day are deciding to close for good, as outlined in the overall problems that were reviewed by Starbucks ex-CEO Schultz in a CNBC interview (https://cnb.cx/31dmEuq.)

While once again these are not businesses whose failure will immediately affect the prospects of major businesses in the US equities indices, they will ultimately affect both the overall turnover in the economy and fabric of American society. Schultz suspects that 3 million small businesses have permanently closed since February, and 35-45% of the 30 million US small businesses will fail by Labor Day. As they employ 45% of the US labor force, that's a real longer-term problem.

He says we are now past a mere 'crisis' into a "...*five alarm emergency*." As large as any $1.0 trillion package to tide small business over into early 2021 may 'sound', it pales by comparison with the fallout from failing to act. This also significantly impacts state and municipal sales tax revenues, already weakened so much as to to leave them in such terrible fiscal shape. As the US Congress fiddles, small business burns… and Schultz notes (as we have previous), every week of uncertainty is like a year to small businesses on the cusp of failure.

Yet here we are with US equities back up higher on the day right now (10:45 CDT) even as the US Congress does not appear close to a COVID-19 relief package #4 agreement this morning. We have a sneaking suspicion both sides are waiting for Friday's US Employment report to bolster their case: Republicans are looking for a strong number to point up current growth, while Democrats would like to see an undershoot to support their call for much more spending. Hey, what's a week to politicians, even if more small businesses are losing heart and employees are losing jobs during another week's delay? They should all be required to run one.

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/3i0r5j1 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.)

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 at which it failed previously 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 after the June 10th negative OECD indications and disappointment with the FOMC.

And it remains a very prominent technical area, which it has just pushed above. After churning recently around the 3,100-30 interim congestion in the middle of the 3,030-2,970 and 3,200-30 ranges rallying above 3,230 despite the expanding US COVID-19 concerns was

a strong indication. Even though sinking back below 3,230 two weeks ago was a cautionary sign, the weekly Close above that level seems to reinforce an overall UP Break. Back below 3,200 (and especially its Tolerance at the 3,187 previous DOWN CPR signal) would still indicate a 'false' UP Break, which could signal an important near-term top.

However, as it is now managing to press higher, next resistance is the February 24th major gap down from the February 21st 3,339.25 weekly Close. That is also key congestion as higher resistance, even if the gap begins at the 3,312 high of the following week (established Monday of that collapse week.) The only nominal resistance above that is February's 3,397.50 front month future all-time high.

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