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ROHR ALERT!! Great Number… Mediocre Response

1 message

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Fri, Aug 7, 2020 at 9:43 AM

Dear Subscribers,
As noted in Thursday's '...US Employment Win-Win?' ALERT!!, whether weak or strong it was likely this morning's jobs number would be good for US equities. This is also against a backdrop of quite a bit of very positive data elsewhere this morning, including strong Trade figures everywhere from China into Europe and a stronger than expected Japanese Leading Index. And in the event the important US Nonfarm Payrolls number was once again a very good number at 1.763 million additional US jobs in July versus an estimate of 1.50M… another strong month.

Yet the US equities response has been anything but outstanding at marginally lower on the day after strong gains Thursday and previous this week. So what could possibly be the matter? Well, really not much in the context of the major rally extension since late last week. The old adage, "*Buy the rumor, sell the fact*" can also apply to market activity into and after a major report. After already anticipating a positive influence from the US Employment report one way or another, the positive report outcome may have already been 'priced in'.

There is also the consideration that the higher US equities levels reached (and slightly exceeded) on Thursday's new high for the current rally were the clear next resistance (more below) this side of the old front month S&P 500 future February all-time high just below 3,400. After ramping up from the last retest of the low end of the 3,230-00 range late last week, the market might need a rest.

There is also classic consideration we have revisited often of late, "The market (which is to say the equities) is a creature of expectations." With today's full range of US Employment report indications now in the market, the US equities might be considering what is coming next...especially on the next round of this overall important consideration. It is important to note that even in today's report there were approximately 1.3 million 'rehires' of folks listed as only temporarily unemployed. Much like previous reports, those are not really net new jobs.

Yet the timing of the report's data collection is also a key factor as the market looks out to the next release on September 4th. That will pick up the late July employment activity which was not in the current report due to the Jul 18th cutoff date for the data. Much like all previous reports, this one was less the July jobs report than the "second half of June into mid-July" employment report.

And we know that on the reopenings of many regions the US jobs picture was indeed still positive throughout June into early July. As such, the next one will be the "second half of July into mid-August" situation, which we know was far weaker on the various COVID-19 pandemic spread de-openings. Of course, that is not something the US equities will discounting anytime soon, as there is another reason why they will maintain their bid in the near-term on 'other' news:

President Trump's commitment to extend the recently expired US supplemental $600 per week unemployment benefit and past due rent and mortgage payment eviction moratorium if Congress cannot strike a deal by the end of the day today.

This is fantastic news on many levels: some good, some not so good… including the wholesale abandonment of the Republican position on the next COVID-19 relief package negotiations. See the recent TheHill article (https://bit.ly/3a1QPJ6) for much more on this, including the large potential fly in that particular ointment, "*It is unclear whether Trump has the legal authority to take the actions he has previewed*" ...even if we suspect the Democrats will not immediately challenge anything which gets what they wanted on the sustained supplemental benefits.

It would also include that further eviction moratorium. All fine and good, except as we have noted for quite some time, that 'forbearance' is not 'forgiveness'. Therefore the rent and mortgage payment arrears would continue to accumulate, likely with the payees having little ability to make up the back payments. This is why the Democrat's bill also included some rent and mortgage payment relief, which they rightly point out is necessary to make mortgage holders and rental property owners whole… and avoid a real estate problem for the banks, again!

Of course, the 'bad' joke here is any Trump action of that sort would represent the wholesale (even if temporary) abandonment of adamant positions Republicans have taken on the relief package benefits level. While sometimes capable of benighted expressions and action, the President is not a total fool. He knows that any failure of some sort of supplemental relief to reach the damaged American lower income workers would be a real negative into November's US election.

Further, this is sort of a win-win for the Republicans, who can say they stuck to their guns while the President did what was necessary to get past Democrat's recalcitrant position. As this would likely 'kick the can' down the road as far as Congress' return from their late Summer break… fully until after the Labor Day holiday on Monday, September 7th. While that would leave the problem even more acute (and possibly irritate some Republican fiscal hawks) even closer to November's election, it would also likely be a near-term win-win for US equities.

Along the way the other asset classes are still more so reflecting the continued 'bifurcated' psychology versus the US equities. If there is indeed a better global economic outlook which might normally be inferred from US equities strength, evidently the global govvies and emerging currencies failed to get the memo.

Global govvies are keeping their bid, even if in a somewhat choppier manner in Europe than the US. And emerging currencies continue to come under pressure into or near their next critical supports. Not very economically bullish at all.

Courtesy Repeat of Thursday'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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