Gmail

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

ROHR ALERT!! Up-Up and Away?

1 message

ROHR Alert <rohralert@gmail.com>
Bcc: ar.rohr.intl@gmail.com
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Dear Subscribers,
Well, it certainly appears the US equities have benefited in the manner anticipated in Thursday's '...US Employment Win-Win?' ALERT!! So even though our Friday analysis was 'Great Number… Mediocre Response', the anticipatory rally into late Thursday was a strong sign due to its confirmation of US equities sustaining activity above the last key resistance (more below) this side of all-time highs.

As noted on Friday, there was quite a bit of very positive data elsewhere that morning, the US equities early response had been anything but outstanding at marginally lower on the day after strong throughout the week into Thursday. However, that was in the context of the old adage, "*Buy the rumor, sell the fact*" that 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 the previous week, they needed 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*." The US equities were likely considering what was coming next...especially on the next round of the important COVID-19 relief legislation that had stalled at the end of last week.

However, it was also important to note that President Trump had promised to enact executive orders over the weekend to extend both the supplemental unemployment benefits, and renter and mortgagee eviction moratorium that had lapsed in the previous two weeks… and indeed that is exactly what he did on Saturday afternoon. Whether anyone feels his actions were legal or that the $400/week supplemental benefits (versus the previous $600/week) are adequate, the market's inference that some sort of further relief was forthcoming was vindicated. Hence Friday's rally extension slightly above next resistance.

And in slightly less prominent yet still very important news, the administration and Congress are considering a further major US airline support package. It is now clear the COVID-19 problems for the airlines will continue beyond the next layoff proscription window of October 1st. This is a big deal on the viability of the airlines, and a major employment factor on 60,000+ highly paid jobs. With the aversion in the Democratic side of Congress to big business support, it is a good question how the next major grants and some loans are getting full support?

Well, the answer is actually quite clear: The Senators and Representatives from many districts are concerned about maintaining commercial airline service once the COVID-19 pandemic subsides enough to encourage a return to more robust air travel. As they are also not as dense as they appear at times, they know that they do not want highly paid workers laid off prior to the November election.

That is both in their own right, and for the commercial impact it would have on their region and communities. Just to ensure airline viability, that package would guarantee the airlines through March. And so it's 'up-up and away' indeed, at least for the US airlines for now and for many months to come.

The bad news is the continued stubborn spread of the COVID-19 pandemic in the US despite some improvement in previous hotspots. The 'community spread' of the virus is also encouraging some further de-opening efforts due to covert mass gatherings in various places. Some of these unmasked and not socially distanced major parties have been especially egregious in the northeast corridor, Texas and Chicago; where Mayor Lightfoot has threatened the re-closing of beach food vendors after untoward gatherings there… a real problem for those businesses.

Then there was the further 'good-bad' news on Friday: As cited in a CNBC article (https://cnb.cx/3ixaDqV) on the subject, "*White House coronavirus advisor Dr. Anthony Fauci that the chances of scientists creating a highly effective vaccine — one that provides 98% or more guaranteed protection — for the virus are slim*." It's worth a read for the insights from many quarters, including pharmaceutical company executives who also caution against excessive hopeful anticipation.

According to the article, even FDA head and Trump supporter Dr. Stephen Hahn "...*said last month that the vaccine or vaccines that end up getting authorized will prove to be more than 50% effective, but it's possible the US could end up with a vaccine that... ...reduces a person's risk of a Covid-19 infection by just 50%*." Considering that is not very 'good' news, what might be the 'good' aspect there?

It is that a clear indication that COVID-19 protocols which many have resisted might become more so legally required and enforced. That may become the case even in areas where politicians have been against this previous, which has recently been prominent in certain areas of the American South. We shall see.

Yet along the way the other asset classes are still in a bifurcated psychology versus their typical activity if the US equities were indeed signaling a major economic boom near their old all-time highs. Global govvies are maintaining their overall bid, even if more so in the US with sporadic near-term interruption in Europe due to the more effective COVID-19 response there. The US Dollar Index is still holding on, yet not as yet fully recovering from recent DOWN Acceleration.

And emerging currencies remain under pressure extending recent losses after their May-July rally ended two weeks ago. This is surely a sign global economic worries have resurfaced in a return of a 'risk off' psychology based on the likely further US economic pressure due to its COVID-19 pandemic spread. Yet based on the 'liquidity rally' we noted last Monday, US equities ignore that perspective.

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/33LQ85G 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 three weeks ago was a cautionary sign, the weekly Close above that level seems to reinforce an overall UP Break.

However, as it managed to press higher, next resistance was the February 24th major gap down from the February 21st 3,339.25 weekly Close it has managed to Close above once again. 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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