Gmail

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

ROHR ALERT!! Waitin' on FOMC Minutes

1 message

ROHR Alert <rohralert@gmail.com>
Bcc: ar.rohr.intl@gmail.com
Wed, Aug 19, 2020 at 10:34 AM

Dear Subscribers,
And does anyone doubt they are going to reinforce all of the significantly accommodative communication since the last meeting? Based on statements by many Fed officials, we can only imagine the meeting was a QE-Fest. Just this morning there was an excellent wide-ranging interview Central Banker chat with St. Louis Fed head Bullard (https://bit.ly/3gbRmcT.) Along with very interesting technical issues, this reflects his sentiment that the FOMC can likely leave rates low for multiple years. We suspect the minutes will mirror those perspectives.

This is also much akin to Chair Powell's statements on working to get the US inflation rate back up to its 2.0% target prior to raising rates again. In other words, leaving rates where they are on ZIRP (zero interest rate policy) for the foreseeable future into at least the end of 2021. Of course, that will also depend on the path of the COVID-19 pandemic, and any effective vaccine hopefully arriving in early 2021.

Yet just to be clear, the central bank discussion of encouraging inflation back up to the target level (generally a coordinated 2.0% for developed economies) is also a bit of a canard they foist onto a public needing reassurance about future conditions. This is clear from the abysmal failure of all similar expressions of other major central banks.

All of them, from BoJ into the ECB and Bank of England and previous Fed indications, are engaging in a bit of legerdemain in promising something over which they have very little control. In addition to the hopeful view on future address of the COVID-19 issues, these are more so affected by individual government taxation and regulation policies affecting investment and hiring. That is where the proverbial 'rubber meets the road'.

As we have noted many times previous, just think about the US QE1, QE2 and the final Buzz Lightyear Bernanke swing into 'QE Infinity' from 2009 through 2012 and beyond. By early 2015 the Yellen Fed was feeling uneasy about the fact that all of that liquidity infusion had not in fact fomented any strong economic growth; and began suggesting inflation and interest rates were about to move higher. Yet that triggered our first reference to 'Normalcy Bias', with the FOMC still demurring on rates for over a year.

In fact, the still elevated taxation and especially Obama era regulatory burden meant that businesses were not comfortable investing and hiring. Please note the very good Velocity of the Monetary Base graph (https://bit.ly/2XeMQ6W thanks to the St. Louis Fed and David Laipple) illustrating how the Velocity was still very depressed (below the post-Great Depression 1940 low) into early 2015. It did not pick up back above that level until after Trump showed his determination to lower taxes and regulation.

It is also of note that it has collapsed again to a new major low under COVID-19 pandemic pressure. This is why we remain somewhat skeptical of the US equities on a contingent

basis even though the front month future grinds toward a new all-time high above February's 3,397.50 level (more below) and the US dollar.

We will provide more on a still deteriorating global economic situation despite some very strong selective US corporate earnings after today's FOMC minutes. This is also why we remain friendly to global govvies, which have no reason to fear any bona fide 'demand-pull' inflation (versus 'shortage' inflation indications which we saw last week based on COVID-19 supply chain interruptions.)

This is also why we remain somewhat skeptical of emerging currencies despite their nominal recent gains against the greenback. That seems to be more so based on the extended secular US dollar weakness than any global economic reason to be encouraged on the emerging economies outlooks 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/3h5ruRg 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. Yet pushing above it in late July opened the door to a retest of the February 24th major gap down from the February 21st 3,339.25 weekly Close it has managed to Close above once again since two weeks ago.

The only nominal resistance above that is February's 3,397.50 front month future all-time high. Along the way is a minor 3,381 DOWN Closing Price Reversal (CPR) from that topping week (Tolerance 3,388.50.) Yet that CPR is so minor in the face of a major rally back from the February-March debacle, it is hard to imagine it can prevent the front month S&P 500 future from at least taking a look above 3,397.50. Current trading up into the low-3,390 area supports that previous view.

That is also just above the extended 'adjusted' weekly Oscillator range, with the next (all-time) Oscillator range not until the 3,405-10 area this week, and also riding $7 per week on the continued MA-41 rise. That is the same threshold where it stalled in February, which we already knew from the Oscillator 'adjustment' we made after the market strength into early 2017. It's going to be very interesting.

Does classical over-extension take its toll, or do US equities just power higher? For more on those 'contingencies' based on adjustment to the previous classical Oscillator thresholds (and how they were evolved), please see Tuesday's ALERT!!

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