Gmail

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

ROHR ALERT!! Globally It's the Same 'New' Thing

1 message

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

Fri, Aug 21, 2020 at 10:17 AM

Dear Subscribers,
Yeah, we know… the cliché is actually '*the same old thing*'. But changing times call for new views. And as 'novel' coronavirus is by definition 'new and unusual', the cultural response to it must also be considered 'new' despite very much the 'same' problems with addressing it now a clear and disturbing global reality.

And just to be clear, nothing that we cite on any political moves or issues regarding this is a political statement on our part. We are simply reporting the facts surrounding why the COVID-19 pandemic has proved so resilient in the face of a general desire to see it tamed. Also note after Tuesday's in-depth discussion of the key front month S&P 500 future technical trend parameters (as it still struggles to surmount February's all-time high) and yesterday's full dissection of Wednesday's very interesting and telling FOMC minutes, today's analysis is our return to a full 'macro' analysis. That is still on a deteriorating global economy.

We are also coming to you a bit earlier, as we were simply waiting for the release of the US Advance PMIs and Home Sales after the rest of the equivalent global figures earlier this morning. And the US gains outperformed the weak Australian and European PMIs (part of early US equities weakness), even if UK PMIs were better than expected; as were US Existing Home Sales and Canadian Retail Sales.

Yet the message from the global PMIs is that while there is still some recovery from the March-April debacle, growth is slowing again. This is almost certainly due to the continued regional surges in the COVID-19 infection rates, and that is what we are calling 'the same new thing'. While the history of the pandemic is of course only very recent in any sort of broad terms, the syndrome which foments its continued threat to global personal and economic health just keeps repeating.

The debate over whether this is a bona fide 'second wave' or merely expansion of the 'first wave' in areas which were unaffected is moot. The net effect is the same: the imposition of commercial restrictions, with very negative effects on overall economic activity… especially for many small- and medium-sized businesses.

The driver for the various pandemic surges is the lack of discipline to maintain key suppression actions, such as mask-wearing and social distancing. In some cases it is even the politicization of the anti-virus measures, with opponents of suppression measures citing interference with personal freedom and choice. However much our view may be that this is not acceptable, like not having a choice to drive drunk in a way that threatens the lives and health of our fellow citizens, there are cultural and political leaders who drive that mentality.

This is why we begin our global perspective with a review of what is happening in the South Korean poster child for previous pandemic suppression efforts. It is now the case that its

infection rates are climbing. According to this morning's follow-up Reuters article (https://reut.rs/32foDPc), a second major South Korean church has flouted pandemic suppression protocols, and has refused to provide the government accurate service attendance lists in order to track the infections.

The church's strong support for religious freedom is also further complicated by it being a fierce critic of President Moon's administration. In a wild conspiracy theory, it has now gone so far to claim that (rather than community contagion from church services) the government is behind the outbreak… having provided the church with contaminated solution bottles disguised as hand sanitizer.

Wow… and we thought things were as politicized as they could get in the US! However, the point should not be lost this is very similar to the US problem with some religious institutions (especially in the South), which have been at least tacitly supported by conservative political figures. Globally the 'Same New Thing'.

That brings us to those weaker European Advance PMIs. This is likely at least partially based on the weaker Chinese Retail Sales seen at the end of last week. As we noted at the time, that is likely not a transitory phenomenon. Once again see the key mid-April IMF WEO article https://bit.ly/2ZxPaan on the COVID-19 pandemic crushing the previously budding Chinese conspicuous consumption.

As such, one of Europe's key export markets is not likely to recreate its previous demand anytime soon. And so it goes on sustained spread of pandemic global weakness, which is also somewhat based on Europe's own lack of discipline on pandemic suppression protocols. According to today's Financial Times article (https://bit.ly/3l6LAwQ), Spain just can't seem to keep many of its citizens out of the always attractive bars and clubs. And this is leading to a disproportionately high incidence of COVID-19 infections… substantially due to youth gatherings.

Of course, concern in the situation is over the post-holiday season returns to schools… which has a direct corollary and cautionary signal from the US. It is the case that many US schools (from grammar schools all the way up to colleges) are attempting to reopen with in-person learning at present or very soon. Yet it is the case that those attempts by colleges are failing. That is substantially due to the degree to which returning students are prone to join large parties which are not respecting pandemic suppression protocols (no masks or social distancing.)

On one hand, we can still relate to folks who've been cooped up with parents all Summer, and in addition feel less vulnerable to the worst effects of any COVID-19 infection (even though there have been some very heavily publicized exceptions.) They seem to be reflecting President Trump's "*it is what it is*" mentality. Yet they are ignoring two things. In the first instance, they can drive overall infection rates much higher, with troubling consequences for more vulnerable family members.

And as such, the colleges cannot allow for rampant infection spread that will not be well taken by families of those students regardless of whether any students develop significant illness. Secondly, colleges that were committed to in-person learning, and opened on that basis, are closing… returning to remote learning for the first Fall term. This is also the case for many grammar schools and high schools in the US as they detect quickly elevating COVID-19 infection rates.

It is the cautionary tale Spanish authorities worry about as they consider whether they can reopen their schools for in-person instruction next month. This leading indication from the US on what to expect elsewhere is a major part of 'the same new story' globally, with implications for whether especially parents with younger children will be able to return to work. That is exacerbated by childcare options also being rightfully more limited due to COVID-19 suppression restrictions.

And this same factor is also behind a global economic deterioration beyond weak Chinese Retail Sales and very surprising rise of US Weekly Initial Jobless Claims this week. Recent Japanese GDP data was weaker than already dismal estimates, once again based on weakness of demand for the export economy's output. It is another factor based on US business and consumer restrictions due to renewed pandemic quarantines at various levels in states and municipalities previously considered past the worst impact. The pandemic is more durable than expected.

And the degree to which it is more so a problem for small- and medium-sized businesses means there is not much the Fed or other central banks can do; versus the degree to which liquidity infusions and other lending measures can be very good for the larger businesses that can directly access the capital markets.

For a very good summary from Thursday's 'Déjà Vu Fed Disappointment' ALERT!!, we repeat part of that assessment's cross currents perspective regarding the fate of big and small businesses. That included CNBC's Steve Liesman discussion with Mohamed El-Erian (https://cnb.cx/2Qbcm8Y.) Liesman reminds us that US small businesses represent between 50% and 60% of total employment, and crippling of small businesses in favor of large ones also stifles critical innovation.

In addition to reviewing the same topics in the FOMC minutes, El-Erian makes a very good point near the end of the segment on the extreme need for Congress to do more. He notes that small businesses are not just employers. "*They also are the main way to have inclusive capitalism, and an inclusive market-based system. And if you want capitalism to be sustained, you need buy-in from a lot of people. You cannot get buy-in if it's all about large corporations*." Well said.

The extensive 'bifurcation' we have noted between the psychology of different asset classes is confirmed as being based on economic divergence as well. It is a matter of the US (and in some good measure the global) economy rotting from the foundation even if the businesses at the top thrive on amenable conditions delivered in part by the Main Street weakness. At some point this is likely to catch up with larger businesses as well, yet not quite yet with strong tech and retail.

In the meantime, US equities hold setbacks. We suggest a review of Tuesday's 'NEW HIGH!! (??)...' ALERT!! for much more on key technical trend contingencies for the front month S&P 500 future… even if it manages to make a new all-time high after stalling for so long (with a goodly bit more in summary form below.)

And weakness of overall economic expectations is why the global govvies have regained their bid after last week's US inflation data hiccup. And while the US dollar has regained some ground against the developed currencies (especially Europe on today's weak European PMIs), its overall down trend remains intact.

Emerging currencies that had weakened a bit again of late seem to be stabilizing. However, this is only back to key areas, with their fate likely linked to whether today's stronger US

and UK PMIs can continue to see more 'risk on' psychology. That is into further important data next week, especially for the US and Europe.

Another Courtesy Repeat of Wednesday'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/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

contained herein may have already been disseminated to others who may have acted upon it. Implicit in the Rohr educational services is the understanding that principals or employees of Rohr may have already taken positions. By review of the Rohr Alerts and/or Rohr Views and all attendant information you confirm receipt of them as educational content, as well as agreement with all of the stipulations articulated above.