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**ROHR ALERT!! Got the Blowoff Exhaustion Blues**

1 message

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Tue, Sep 8, 2020 at 10:40 AM

**Dear Subscribers,**

The problem is assessing every hyperbolic rally is the question over whether it remains a runaway bull or is ready to reverse. That is due to the definitive answer not being clear until the reversal actually occurs. However, the degree to which a market might be into critical ground for that trend decision is readily discernible from its extended technical projections... as in US equities last week.

As apparent from the title of last Monday's "Surging Into 'The Crunch'" ALERT!!, even from the US equities Close two weeks ago it was clear they were up into extended levels where they were either going to exhibit further upside explosion, or were likely ready for a significant reversal of the impressive up trend. It is clear in hindsight the front month S&P 500 future attempting to escape the 3,525 area (more below) could have meant rallying another several hundred dollars or more.

Yet Rohr axiomatic perspective on market activity is that there is an 'anticipation' question regarding technical indications which must be answered: Is the market ready to provide the further trend activity (whether up or down) that any particular signal implies? As last week's early rally above 3,525 overran all of the 'adjusted Oscillator resistance as well as that long-term 10-year weekly topping line (see weekly chart link below), it suggested that additional several hundred dollars (or more) mentioned above. If the market was not ready to achieve it, it could be the blowoff prior to the reversal... which is what we saw late last week.

A complete discussion of specifics of that DOWN Closing Price Reversal (CPR) is in the market analysis below. Yet, as we noted from early week and extended into Thursday morning's 'A Curious Sort of Runaway Bull' ALERT!!, the many weeks of extreme bifurcation between the US equities rally and the broad underlying economic indications (even allowing for some positive data along the way) was reaching a crunch point. The fact is that not just in the stronger US but also even more so in the rest of the world, the COVID-19 pandemic recovery is quite weak.

More support for our sustained views in that regard arrived this morning in the form of the Organization of Economic Cooperation and Development's monthly Composite Leading Indicators (<https://bit.ly/3m0bEdj> mildly marked-up version.) While there certainly were strong rebounds after the March-April implosion, the upside economic momentum is slowing. This gets back to what OECD warned initially back in March (<http://bit.ly/3cqTKeY>), and even more relevantly after the COVID-19 pandemic had progressed into June it its more extensive Global Outlook (<https://bit.ly/3hg8mAz>.) That included an excellent active graphic on the degree to which there would not be a full recovery (<https://bit.ly/3h7zem2>.)

Regardless of the significant US equities recovery, that remains the case on the resurgence of the COVID-19 pandemic, even in some places which had seemed to have it tamed. We are not meaning to imply it will be as bad as the initial terrible wave of global infections and

economic reactions. Yet any bona fide vaccine and especially full distribution through the global population is many months away.

Therefore, as we noted Thursday, *"...the practical implication is that various COVID-19 suppression protocols will remain in place long after any successful vaccines are approved and in broad use. As such, expect some restrictions in businesses that have already been suffering, like dining, hospitality, travel, entertainment, etc.*

*"Expectations many political and cultural and business partisans have expressed that cash flow and profits in the affected industries will be booming again soon, contributing to a major 'V' chapped recovery, are just plain misguided. It is going to be a long slog, with quite a few headwinds along the way. Estimable Mohamed El-Erian was interviewed on CNBC this morning (<https://cnb.cx/32SFjft>.) And the man who coined the phrase 'the new normal' after the 2008 Crisis has a new one.*

*"He points out that when the banks realized the other banks were risky, they pulled back from trading with them. That was the 'financial counterparty risk' hitting the entire trading and bank liquidity arenas. He notes reticence of people to go out and engage with other people in the COVID-19 era is an equivalent yet even more pernicious in its way 'personal counterparty risk'.*

*"Much as the extensive toxic, unassessable blended mortgage backed securities (MBS) were a problem into and after 2008, the current lack of effective US testing and tracking are leaving not just those with vulnerabilities hesitant to venture in the crowd. On that basis El-Erian is not expecting any sort of a full 'V' shaped recovery. He suspects it will be more of a 'square root' (V) recovery. After the very sharp rebound, it is more likely to plateau for a long time. That would seem more consistent with economic headwinds than a full 'V' shaped recovery."*

The other compounding factor is the continued deadlock in the US Congress on the next (Phase IV) COVID-19 relief package. While there is more hope now, with Congress just back from its Summer break and still very far apart on specifics, the 'received wisdom' is that there will not be any package passed until the end of this month. That is in the context of other relief packages having expired at the end of July, with much more suffering out there at a grass roots level now.

There is also the Republican aversion to support for beleaguered states and municipalities that have had their sales tax receipts shattered by the previous quarantines and sustained COVID-19 suppression protocols. As their payrolls do not exist, expect many layoffs soon among their workers; including essential folks like police, fire, medical workers, etc. And while still several weeks away, the airlines will be free to pursue layoffs of tens of thousands of employees that were proscribed until October 1st by their previous major COVID-19 relief packages.

It would seem that without far more timely and extensive action by Congress on COVID-19 relief very soon, the US economy's recent impressive rebound might show greater signs of stalling. That is also linked to the idea noted in last Friday's 'A Curious Sort of Friendly Jobs Report' ALERT!! on the nature of the data in each month's US Employment report: it is not really reflective of that full month.

To wit, *"The little secret of the monthly US Employment report is that it cuts off around the 18th day of the previous month. As such, the 'August' report is actually the 'second half of July through the first half of August' report. As an aside, this is most interesting on a*

***political level. The 'September' US jobs report will be at risk of showing the impact of the drop off in supplemental Unemployment Insurance. And...***

***"With Congress only likely to pass renewed relief (including the resumption of the supplemental weekly payments that ended on July 31st) late this month, any benefit to the economy and employment will not show up in September; only the impact of the previous lapse in supplemental payments. Ergo, the lack of a more bullish US equities response to today's number, based on future 'expectations'."***

As such, last week's attempted 'runaway bull' turning into an exhaustion blowoff instead seems another manifestation of the old axiom, "*The market (which is to say equities) is a creature of expectations*" at work. After very recent endless permutations of the degree to which a select number of tech leaders could mean "*It's different this time*" (shades of 2000 and 2007), and they could take the otherwise lagging general stock performance to new highs without bounds, reality seems to have set in. As such, it looks like US equities have topped for now, and the question becomes where they might find support for at least a temporary sizable rally back to test the newly established higher resistances?

And what of the other asset classes? The global govies are taking a bid again in the wake of the US equities near-term meltdown. That said, they are not rallying all that far, as they had already rallied on weak global economic indications right into the last phase of the US rally. And that reversal of the US equities 'risk on' psychology is also (unsurprisingly) weighing on the emerging currencies at the same time, including a Turkish lira that already had secular problems.

This is the critical consideration

COVID-19 virus spread caused US equities into a DOWN Break below the front month S&P 500 future 2,600 area major up channel in early March. That seemed to indicate more of a near-term failure. That was from the early 2016 low (as is clear on the weekly chart <https://bit.ly/2DDzpGZ> 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.) Ergo, the rally could be sustained. 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 rally.

Yet pushing above it in late July opened the door to a retest of the February's 3,397.50 front month future all-time high. Yet after such a major rally back from the February-March debacle, it was hard to imagine it could prevent the front month S&P 500 future from at least taking a look above 3,397.50; and that has now transpired on a push above it two weeks ago into the low 3,500 area.

That was also above extended 'adjusted' weekly Oscillator range in the 3,425-30 area last week, now rising \$10 per week on the MA-41 rise. That was 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. And the rally has called for another 'adjustment' based on the 2,875 early 2018 high Close and the subsequent 3,381 February high Close prior to the COVID-19 pandemic debacle.

That new 'extended' weekly Oscillator threshold is MA-41 plus 395-400, which was 3,485-90 last week and rises to 3,495-3,500 this week. Yet the extended key to any 'runaway' bull was

**a longer term topping line projected across the February 3,397.50 trading high from the April 2010 first major high after the major cyclical 2009 low. That topping line was at 3,525 last week, rising to 3,535 this week.**

**Aside from the sheer magnitude of last week's selloff, it was important for the establishment of a technical pattern top. With such a significant rally above the previous week's 3,504.50 Close, the drop well below it established a DOWN Closing Price Reversal (CPR) of some magnitude. Along with the topping line, that is now the key higher resistance on any sizable recovery from lower support.**

**The next significant support now that it is back below the February 3,397.50 previous all-time high looks like the 3,230-00 range we had previous highlighted as the rally resistance into early June, which was subsequently overrun on the rally extension into early August. That newly established 3,504.50 DOWN CPR has a Tolerance to the previous week's 3,509.50 high (on a weekly Closing basis.)**

**Thanks for your interest.**

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