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ROHR ALERT!! As Expected

1 message

ROHR Alert <rohralert@gmail.com> Mon, Sep 21, 2020 at 11:31 AM
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Dear Subscribers,
We always strive to be humble about any market prediction success, as it is simply what we are supposed to be doing on your behalf. As such, please take today's ALERT!! title as less of a boast than a matter of fact assessment that what we are seeing in the current US equities weakness is quite simply 'as expected' after recent rally failures. There were only going to be a limited number of front month S&P 500 future (December since Friday) attempts to rally above 3,400 area prior to a return to weakness below the previous 3,295 trading low of the selloff.

That is in large measure because those recent rallies above the February 3,397.50 previous all-time high were also attempts at UP Breaks out of recent short-term pattern bottoms. For much more detail (and even a brief video review of this), please see Friday's 'Extended Short-Term US Equities Trend Twist' ALERT!! However much that is an Evolutionary Trend View technical trend assessment, Friday's analysis also briefly revisits many of the 'macro' factors (ergo the 'macro-technical' overall assessment) we had highlighted for months.

Those include the still stubborn spread, and even surprisingly strong resurgence in some areas, of the COVID-19 pandemic. As the coronavirus is the primary driver behind much of the recent economic weakness, the idea it might neither be waning as quickly, nor as fully, as the optimists (including quite a few prominent government leaders) might be saying represents a stubborn economic headwind.

As one of the leaders among the major developed economies, the fact that the US reopening too quickly as far back as Memorial Day (May 25th) triggered a serious resurgence of the COVID-19 pandemic spread was always going to be a daunting factor for a return to a normal economy. While there have been sporadic efforts to reopen important functions like factories, other businesses, schools and group activities (especially dining and hospitality), those have all required further partial shutdowns at times. And the lack of cautionary measures has come back to bite.

According to this morning's Reuters article (https://reut.rs/35VUWqe), the entire pandemic spread has become more diffuse in affecting many more geographic areas while remaining a problem in previous hotspots like the Northeast. Part of the problem is many folks being overconfident about partial success, and failing to maintain pandemic suppression protocols. Cases are rising again in places where they fell from major Spring peaks, and nationally remain around 40,000 new cases per day… the highest in the developed world. And with colder weather coming, the risk is rising for more extensive disease transmission.

That very cold weather in the northern hemisphere also points to many additional stresses for a restaurant and bar industry that has already been crushed by the pandemic suppression protocols. And it is not just the US among the developed economies, as continental Europe's previous success is seeing disconcerting backsliding on people's dismissal of the previous pandemic restrictions. The UK that had reopened many areas is

now seeing a major surge in fresh infections and even deaths. The problem there is that the projections are for even more dire circumstances, as explained in another Reuters article (https://reut.rs/3chy8lK.)

While the UK's problem is still far less than the sustained US condition that never really waned, it will still represent a major health system crisis if it is not brought under control sometime soon. And the issue for the markets is just how much the need for further global COVID-19 suppression steps after hopes that success had already been achieved will weigh on the global economy. Confirmation of lack of additional steps by central bankers also came last week, which we questioned in any event on what more they could do after Brobdingnagian accommodation.

The only potential effective near-term support is going to be from government COVID-19 relief programs. While Europe has already approved a robust package (groundbreaking in its pan-European borrowing), the US Congress still appears tragically stuck after the last round of supplemental unemployment payments lapsed at the end of July. The distraction from the truly tragic passing of Supreme Court Associate Justice Ruth Bader Ginsburg last Friday will only further poison an already toxically partisan US well. That is along with a need for reconciliation of sharply differing visions for a US budget extension to avoid a shutdown.

Given their penchant for approving 'continuing resolutions', we suspect the Congress will find a way to avoid a shutdown. Yet the highly partisan fight over who President Trump and the Republican Senate will nominate and attempt to approve to replace Justice Ginsburg will leave even less time or interest for that next, now critical COVID-19 relief package. The economic strains are growing.

Given that and the renewed spread of COVID-19 despite some politicians' attempts to claim it is waning, we were frankly surprised the OECD Interim Economic Outlook (https://bit.ly/2Fzh3rz) quarterly assessment last Wednesday morning eliminated its 'Double-hit scenario' that was in its June assessment. While the latest analysis was a bit 'less bad' than previous, it remains a very downbeat overall forward view. A bit below the opening web display is a graph (https://bit.ly/3knSYml) illustrating the partial 'V' rebound, where the previous June projections graph can also be selected as an overlay on the current view.

Note last Thursday's update in the Financial Times' 'Coronavirus tracked…' evolving analysis (https://on.ft.com/3gaZ0VI) for the disconcerting (and frankly somewhat depressing) indications of how the pandemic continues to spread. It is of special note how bad things are in Latin America and India, yet with the US also still a significant problem area. Despite recent concerns about a resurgence in Europe, it is obviously doing much better than most of the rest of the world outside of recent negative UK developments that are such a concern once again.

As far as the front month S&P 500 future, the failures of recent serial attempts to push back above the 3,400 area previous February all-time high represented multiple UP Breakout failures and their subsequent Negations. Under those circumstances the reversal of the down trend was most likely to fail, leading to the previous low of the selloff (i.e. also the low of the attempted reversal patterns) being overrun to the downside at some reasonably near-term juncture.

That occurred in part as early as last Friday, with the December S&P 500 future trading below the previous 3,295 trading low of the selloff from early two weeks ago prior to a

recovery into the weekly Close. However, extended weakness on the back of combined factors noted above and previous (COVID-19 pandemic and lack of further US relief, the recent and even more so future impact on many businesses, the looming seasonal shift, lack of timely vaccine, etc.) finally culminated in the markets needing to reflect a less upbeat outlook.

While we may have been early in warning of the potential impact of the combined fundamental factors from as far back as June, the 'macro' side of the market psychology finally saw 'technical' reinforcement from the major 3,504 DOWN Closing Price Reversal three weeks ago. There was also a sense of greater weakness than previous from the front month S&P 500 future not being able to sustain rallies back above the 3,400 area to retest that major negative signal.

And in light of those short-term failures (see Friday's ALERT!! for much more), we can confidently say the current weakness all the way down to the next significant 3,230-00 area support (with a Tolerance to the 3,185 area) not seen in the past two weeks is nothing less than 'as expected' without being at all smug about it. It is simply what we are always attempting to accomplish on your behalf.

Along the way it is no surprise that the global govvies are extending their recent impressive gains with further strength on the back of the significant US equities weakness. And emerging currencies are coming back under some major pressure for the first time since early August in the wake of the seeming full US equities reversal from tacit potential maintenance of a 'risk on' psychology to 'risk off'.

This is the critical consideration
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 (as is clear on the weekly chart https://bit.ly/35VAPIs updated through Friday.) Yet it also pushed above that out of late July.

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

Aside from the sheer magnitude of the selloff that began three weeks ago, it was important for 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 major DOWN Closing Price Reversal (CPR). Along with the topping line, that is now the key higher resistance on any sizable recovery from lower support.

The next significant support after it traded below the February 3,397.50 previous all-time high looks like the 3,230-00 range we had previous highlighted as rally resistance into early June. On the recent attempt to stabilize at no worse than the 3,300 area, the market exhibited a couple of less than credible pattern bottoms.

The latest of those saw a lackluster 3,400 area UP Break early Tuesday morning that has failed in the wake of extended macro factors. That indicated the previous 3,295 trading low of the selloff would be violated on the way to lower ground. Follow-through after last Friday's temporary trading below 3,295 has now been achieved on the trend extending all

the way to a test of the top of the 3,230-00 range this morning, with Tolerance to 3,185 area. Next support is the 3,000 area.

Thanks for your interest.

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