



Alan Rohrbach &lt;ar.rohr.intl@gmail.com&gt;

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**ROHR ALERT!! It's Advance PMI Day**

1 message

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

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**Dear Subscribers,**

**Amidst the major central bank-speak tsunami this week comes this morning's global Advance PMIs, which always include both Manufacturing and Services along with the Composite figure. And there's good news and bad news. It is most interesting that the Manufacturing numbers were generally good, and at or above the 50.0 level (i.e. signaling expansion.) Yet the Services PMIs were disappointing, falling back below 50.0 from above it in most cases outside of the US (which was only a bit weaker at 54.6.) It presents a challenging global forward view.**

**That is due to reasons for weakening of the Services PMIs likely being twofold. There is the first instance on the resurgence of the COVID-19 pandemic spread not just in the US and Latin America but Europe as well. Note the recent return to more draconian COVID-19 suppression actions in the UK (as we already explored and linked a Reuters article <https://reut.rs/3chy8IK> in Monday's ALERT!!)**

**That has fomented PM Johnson's imposition of fresh restrictions on England (the other UK countries get to decide on their own steps), as extensively explored in a Tuesday CNN article (<https://cnn.it/3kHuHb8>.) That occurs in conjunction with stubborn US concerns, as also discussed Monday. As we noted, "According to (Monday) 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."**

**As such, it is easy to see why the outlook for in person retail (including dining, hospitality, air travel and other industries) has darkened over the past month. However much people want to remain hopeful, the already striking job losses at (for instance) small restaurants is only going to worsen globally as the pandemic resilience weighs further on those sectors. From both an epidemiological and retail business perspective, winter coming in Northern climes is a big problem.**

**Restaurants that have managed to hang on with reduced receipts by adapting outdoor spaces for dining will face further major, likely insurmountable problems. That is not really news. It is only a likely acceleration of the very disturbing trend of temporary business closures during the early COVID-19 pandemic wave in April turning into permanent business closures. As we noted a week ago, there was a very good CNBC interview (<https://cnb.cx/3kqCeem>) including YELP VP of Data Science Justin Norman... with a telling graphic (<https://bit.ly/3mOoID1>.)**

**As such, we are not really surprised the Advance Services PMIs have diverged from the Manufacturing numbers in a current weakening retail business context. This is also likely driven, and indeed exacerbated, by inability of the US Congress to reach a compromise on the next COVID-19 pandemic relief/stimulus package to support all of the disenfranchised lower and lower-middle income workers from the affected industries. And 'disenfranchised'**

(as opposed to simply temporarily 'unemployed') is not an exaggerated view... it is becoming the prevailing reality.

As Fed Chair Powell has repeatedly noted, the nature of the jobs that have gone away includes skill sets that are not readily usable in other employment. That is due to the similar firms in the same industries also being ravaged by the steady weight of the pandemic. While he is hopeful in looking for an overall employment recovery as those folks are ultimately employed again in other roles, he is also pointedly realistic in his observation that this will take quite a bit of time.

The lack of any potential for Congressional compromise on the next COVID-19 pandemic relief/stimulus package has only been reinforced by the sad death of US Supreme Court Associate Justice Ginsburg. As such, that lack of enhanced support for the unemployed likely weighs on the US economy in the near term. While not a political statement either way on our part, it seems that the deadlock suits both parties to some degree, allowing a high degree of cynical *realpolitik*.

Republicans feel it motivates their base to refuse to spend money on 'wasteful' Liberal jurisdictions. And the Democratic 'party of the people' can justify letting them suffer for now on the prospect of driving somewhat weaker economic data into October. They hope it will weaken Trump's strong economy argument among the select number of independent voters who will likely decide the presidential election in just six weeks. Both are clearly in '*the ends justify the means*' mode.

In the meantime, the front month S&P 500 future (now December) has rallied back to around the most recent failure level: the 3,308.75 low of the short-term Inverse Head & Shoulders Bottom (<https://bit.ly/2REF9n6> RS-2 on the hourly chart from last Thursday) that was violated last Friday on the way to the 3,230-00 support. Whether it can sustain activity above it or comes back under immediate pressure should be an interesting influence on the overall 'risk on'/'risk off' psychology.

That US equities recovery bringing back a bit more of a 'risk on' psychology has brought some pressure onto global govies once again, even if not to any major degree back below key supports. On balance they remain up toward their next important resistance areas. Yet it is also quite curious that emerging currencies have remained under pressure. However, given that they were able to maintain their bid during the initial recent weakness of US equities, it might be that they were feeding on the stronger European picture, which is now also weakening.

Courtesy Repeat of Monday's 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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