Gmail

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

ROHR ALERT!! TYPO-CORRECTED: Still Deal or No Deal

1 message

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

Thu, Oct 8, 2020 at 11:40 AM

Dear Subscribers,
This corrects a numeric typographical error at the end of paragraph 5 below.

It seems positive anticipation around the resurrected hopes for a US government COVID-19 stimulus/relief package has the US equities up into the key resistance zone again. That is generally around February's 3,400 area previous front month S&P 500 future all-time high. Yet that has a Tolerance to the mid-September (i.e. the pre-OECD and FOMC) 3,430 trading high it is squeezing slightly above again.

While there is little doubt the relief package hopes (or their possible reversal like Tuesday's Trump 'kerfuffle') are the primary driver at present, there is so much else to unpack on recent developments that we will simply provide the far flung indications and let you draw your own conclusions. In the first instance, even before the FOMC minutes (https://bit.ly/34AmQFL) accommodation confirmation on continuing economic weakness ("...*payrolls had retraced only about half of the jobs lost*…"), there was Fed Chair Powell's Tuesday morning speech on 'Economic Developments' (https://bit.ly/2SCWGwy) that morning. He once again repeated his call for further major stimulus spending he began in early June.

That was the same call we all hear from many quarters on the need for relief in a broad range of COVID-impacted industries. Those most prominently include the dining and hospitality businesses, airlines and small retail (versus the behemoths who are actually prospering at the small shops' expense.) Yet there is also a case to be made that local governments and states deprived of sales tax revenue due to the weakness in those businesses also need assistance to avoid layoffs.

Yet the Republicans continue to demur from providing that support based on the Liberal state governments they say have mismanaged their pension plans, which they do not want to bail out. There was a very interesting CNBC interview on this (https://cnb.cx/34wPOX6) between former New Hampshire governor Judd Gregg and former Massachusetts governor Deval Patrick. Gregg quickly notes again (00:30) that liberal states have pension problems which should not be bailed out.

Yet the Democratic Party run governments have committed to only using funds to offset COVID-19 driven tax deficiencies. And in a subsequent segment CNBC's Steve Liesman notes that the breakdown of the Democrats' request for state and local relief funds would go fairly equally to both Red and Blue states. Liesman also covered the Weekly Initial Unemployment Benefits report showing 840,000 fresh claims. Yet he (as well as other sources we have seen) notes that there are also 454,000 fresh Pandemic Unemployment Insurance claims. As such, the full number of weekly unemployment benefits claims is more so up near 1.3 million.

This seems consistent with Continuing Weekly Unemployment Benefits Claims remaining up near 11.0 million. That is consistent with Chair Powell's repeated warnings on the lengthy process of retraining people laid off from industries where jobs will not be coming back 'taking time'. As such, high unemployment is likely to eventually depress consumer spending among those groups, especially if they are not seeing any supplement to low levels of regular jobless benefits.

Then there are the political influences. To be clear once again, none of this is a political opinion on our part… it is simply now a market influence which requires our view on *realpolitik*. Wednesday evening's Vice Presidential debate was fairly uneventful. According to a very good Reuters summary (https://reut.rs/3d9IVPi), both Pence and Harris 'colored inside the lines' in not engaging in the aggressive interruption which marred the Trump-Biden first Presidential Debate. Yet, they both deflected into favorite topics instead of answering any thorny questions.

The debate bombshell did not need to wait at all for the next major Presidential Debate: it hit this morning in the form of Trump saying that despite his COVID-19 infection he would refuse to participate if it was held in a virtual format. It seems fairly clear to us this is a reaction to limiting both candidates ability to interrupt the answers by their opponent. In all likelihood a virtual debate would allow the moderator to cut off the microphone of an unruly participant.

While it didn't seem to work, and aside from any positive points, there is little doubt part of Trump's plan was to 'rattle' Biden. That would not likely be possible in the virtual format. As Trump's announcement of his positive COVID-19 test was on Friday, October 2nd, it is reasonable on the part of the Biden campaign to note (if he is indeed recovering after the removal of his medicines) he will not be past his active virus 'shedding' (i.e. infectious) phase until October 16th… the day after the debate is scheduled. And Biden is also a very vulnerable individual.

The market response to all of this is to reinstate a bit of the previous bifurcated psychology, at least as it relates to global govvies. Despite the continued bid in the US equities, the govvies have seen a modest return of their recently lapsed bid in the wake of somewhat weaker economic data over the past couple of days.

That said, developed currencies and emerging currencies seem 'stuck' against an admittedly still weak US dollar. Yet it will still take more US dollar weakness to confirm a more definitive signal, which may also rest with the fate of the key US stimulus/relief package. The outlier is the Turkish lira, which is sustaining secular weakness for its own reasons. It now looks to head much lower in the near term.

BREAKING NEWS (11:40 EDT): And just to reinforce our perspective on the US stimulus/relief package, Speaker Pelosi has just now said that there will be no standalone $25.0 billion airline relief bill without a comprehensive agreement. Hence the importance of relief for cities and states on the Democratic side and it being an anathema for Republicans. US equities have NOW reacted back down from that squeeze above those February S&P 500 3,400 area highs once again.

Another Courtesy Repeat of Tuesday'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/3d5p5EJ 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 late August push above it into the low 3,500 area.

Aside from the sheer magnitude of the selloff in the first week of September, it was important as 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 with key failures in the 3,400 area (see our September 18th ALERT!! for a full discussion and Evolutionary Trend View fully annotated chart analysis.)

The latest of those saw a lackluster 3,400 area UP Break early Tuesday September 15th that failed in the wake of key macro factors. That suggested a previous 3,295 trading low of the selloff would be violated, as occurred. Follow-through after that saw multiple tests of the 3,230-00 range (Tolerance to 3,185.) Near-term resistance in the low-3,300 area was exceeded last week, with the more prominent resistance up in the 3,400 area (February high and recent failures) now being retested.

Thanks for your interest.

NOTICE: The Rohr International, Inc. research team or its principals may already have entered positions or have orders working based on this view.

This Current ROHR TREND ALERT!! will be available soon via the sidebar at www.rohr-blog.com for Gold and Platinum echelon subscribers.

Contact: rohralert@gmail.com