



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

---

**ROHR ALERT!! Is the 'Liquidity Rally' Durable?**

1 message

---

ROHR Alert <rohralert@gmail.com>

Tue, Oct 13, 2020 at 10:25 AM

Dear Subscribers,

As noted since Friday and again in Monday's "'Risk On' Forever?" ALERT!!, the US equities seem to be 'Looking Past the Trough'. However, whether the latest rally resurrection is durable or only a 'last hurrah' surge back to key resistance without becoming a renewed August-style runaway bull hangs in the balance.

The US equities surge out of late last week into the beginning of this week gives the impression that it may be back to 'risk on' forever once again, which most recently lapsed with the sharp drop from new highs in the very beginning of September. And to return to the market chase, that early September activity comes back to be very relevant now. That is because of the clear topping activity.

As noted in Friday's 'Looking Past the Trough' ALERT!! and in all analysis since early September, *"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 annotated chart and background on the trend evolution are in the 'critical consideration' below.)

And that 'sizable recovery' has indeed occurred with last week's December S&P 500 future push above the recent 3,400-30 resistance, which was right around the important February 3,400 area previous all-time high. The push above 3,400 area was impressive in coming after a month of stalling back up into it on rallies.

However, even above the 3,505-10 major DOWN CPR there is extended resistance up into the 3,540 weekly Oscillator threshold based on the actual differential of the late August 3,505 new all-time high Close against weekly MA-41. While not necessarily a surprise, it is of note that the longer-term topping line has also risen to the 3,540 area this week. This is the secondary resistance of which both traders and investors need to be aware of on the potential for a reinstatement of more of the 'runaway' bull psychology from August into early September.

And lo and behold, where did the December S&P 500 future stall on the additional strong rally Monday? Yep, just about exactly back up into the 3,540 level (actually 3,541, which was \$68 higher Monday.) Therefore, the early week high reinforces the nature of the Oscillator and topping line resistance regarding whether the US equities are going back to a 'runaway' bull with much higher overall potentials.

Or are they going to stub their toe again, as they did in early September? While it is not any other particularly important resistance, the ultimate test is of course the early September 3,587 front month S&P 500 future all-time trading high.

Once again, other asset classes are not reinforcing the idea that the US equities now extended rally is based on any real prospect of stronger economic growth. Global govies are actually rallying over the past couple of sessions, reinforced by recent data (more below.) And both developed currencies as well as emerging currencies are giving up some ground after recent rallies against the US dollar.

We suspect they recall the September 16th combined still negative OECD Interim Outlook (<https://bit.ly/2Fzh3rz>), which was followed by Fed Chair Powell's less than inspiring press conference (<https://bit.ly/3kpR4BB>.) He fully reinforced the Fed's commitment to allowing inflation to run back up not only to, but also above its 2.0% target to encourage employment without central bank worries.

That was consistent with the late August Jackson Hole Monetary Policy Review (<https://bit.ly/3msth64>) unveiling of that major FOMC policy shift. Yet as we have repeatedly pointed out (as with the Yellen Fed in early 2015), the Fed warning of inflation does not equate to the stronger economic conditions necessary to create it... it's a classical central bank canard to foster public confidence.

It is also quite inconsistent with current COVID-19 pandemic depressed economic reality, where inflation is actually waning once again. Even though 'as expected', today's US CPI numbers were lower (0.2% versus 0.4% past month) on both the headline and core indications. And this is reasonable on the current still weak near-term COVID-19 economic influences. In fact, it seems more so US equities are inspired by their ability to 'look past the trough' to more stimulus later.

And it will most likely not be forthcoming until later, based on the intransigence on both sides. That is Republicans refusing to spend anything more than roughly \$1.0 trillion, even if the latest Trump administration proposal is much higher (can they really get that passed in the McConnell Senate?), and includes some money (even if less than the Dems request) for cities and states. Yet Dems are sticking with their previous demands, and likely are more than happy to wait it out.

As we have noted for some time, the Democrats view the negotiation as a win-win on either showing they can get their demands met, or creating enough economic weakness to unseat Trump (and possibly some Republican Senators.) And while we have been noting this for quite a while, a few of the more astute Republicans also have had this figured out for some time. In a September 9th CNBC interview of Texas Senator Cruz (<https://cnb.cx/3nKEgbn>) he mentions (01:00-02:00) that the Democratic 'party of the people' is willing to allow for more misery in the near term to see the back of Donald Trump. It seems 'the ends justify the means'.

It is also the case that there will be quite a bit more near-term economic damage if indeed there is no US government stimulus/relief package until possibly after the January 20th inauguration of the US President. This is not just our guess, but also the view of the estimable Mohamed El-Erian. In a Monday CNBC interview (<https://cnb.cx/3dm5Hnh>) he explores several aspects, including that among all of the COVID-19 pandemic and other issues now, the US stimulus is the key factor.

He also noted (although not included in this video clip) that while the US equities 'liquidity rally' looks good now on future stimulus anticipation, when other markets have defied overall negative factors "...they tend to catch up all at once." He even says that if any limited stimulus deal can be made, it might not get through Congress in time to have a significant impact... certainly not prior to the November 3rd election. He notes the market believes it is a matter of time, but...

*"...the problem with the 'matter of time' argument is that ongoing damage to the economy every day, so it really does matter when it will come."* And in what is a 'behavioral' market, *"...it has been reinforced to believe that liquidity is not just necessary but sufficient for ever higher asset prices. So this market will look at whatever silver linings are around, and extrapolate that."* Most interesting.

And in that context the trend battle this week (and beyond) for the US equities would seem to be whether they can overcome the major next higher technical trend resistance to reinforce that idea the 'liquidity rally' can feed on itself into what appears to be deteriorating COVID-19 pandemic news. That is both in the US and Europe to a degree that looks like the predicted full second pandemic wave.

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/3iPO4NN> 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) with a 3,510 Tolerance. Along with the 3,540 topping line, that is now key resistance after a recent 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.)

Yet it held that 3,230-00 area once again. And now finally surging back above the 3,400-30 area leaves a burden of proof on the bears to get the market to fail back below that area. In the meantime, whether the December S&P 500 future can post serial weekly Closes above first 3,505-10 and ultimately the 3,540 area will decide if it is indeed again 'Risk On' Forever. The only nominal resistance above that is the early September 3,587 front month S&P 500 future all-time trading high.

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](http://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](mailto:rohralert@gmail.com)**

This review of market positions and all other information is strictly for educational purposes. This information is provided without consideration of portfolio requirements, suitability for financial risk, or psychological state of any recipient. Any use of this information to implement actual trades or investments is the sole responsibility of the individual or entity authorizing that decision. This waives your right to any claim of explicit or incidental liability for financial loss or forgone profit against Rohr International, Inc. and any informational contributors under all circumstances. Information 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.

**A service of Rohr International, Inc.**

**© 2020 All international rights reserved. Redistribution strictly prohibited without written consent**