



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

ROHR ALERT!! Relief 'Push'

1 message

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

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Dear Subscribers,

As noted in Friday's 'Trend Battle into the Weekend' ALERT!!, there is a fine line decision afoot in the US equities revolving around whether or not there is a US government stimulus/relief package passed before the November 3rd US election. The diminished prospects for that weighed on the US equities late last week, as it appeared bears may have won the battle (or at least a near-term tactical victory) on the negative answer to the question, "To stimulate or not to stimulate?"

That was apparent in the December S&P 500 future weekly Close below the 3,475 Tolerance of the overall important 3,505-10 area (see below for full Evolutionary Trend View discussion.) But wait!! Over the weekend House Speaker Pelosi had entertained the idea of agreeing with an enhanced Trump administration offer; both a higher nominal spending amount as well as address of some key issues.

Yet the Speaker also put a 48-hour deadline on negotiations. This might sound like the sort of 'hardball' in which President Trump recently engaged when he ostensibly cancelled all negotiations; yet then had to make a full *volte face* only hours later. However, in this case the Speaker reasonably asserted that this was necessary in the current negotiation to allow for further implementation steps.

There are also still some issues remaining between the administration and the House proposals, as outlined by CNBC's Ylan Mui in this morning's report on the matter (<https://cnb.cx/2T7alw7>.) While that deadline runs out tonight, this has happened before, only to see the talks continue so everyone can show they are "still trying." Even though the White House is saying that they have agreed with some Democratic demands, Pelosi is citing some 'unacceptable changes'.

Those are ostensibly over measures regarding minority communities, child tax credits, state and local funding, and even the census. While Secretary Mnuchin and Pelosi are scheduled to speak today, the Senate is still on its more limited relief package path. This is hard to reconcile with any of the more major relief the administration and the House are negotiating. In that regard, there is still major skepticism that the President can get the Senate to go along with more spending.

As such, while there is a 'push' to see if administration/House compromise can be reached in time to pass more significant stimulus/relief prior to the election, there is also a question over whether any bill will be in place in time to be signed by that time. All of which gets us back to our previous cynical *realpolitik* view of what the Speaker is playing at: delaying relief measure negotiations long enough to have any agreement only occur just before the election. That will allow the Democrats to look accommodative, push the Senate into the role of being the 'bad guys' on the eve of the vote, and not give President Trump a photo op.

Therefore, the US equities' (as well as other asset classes') decision on the near-term trend is also a 'push' (i.e. in classic betting terms a 'draw'.) It is now still important to also continue to monitor all other 'macro' factors, including the recently resurgent COVID-19 pandemic spread into an extended Phase I, or in some areas (like Europe) what is clearly the dreaded Phase II. Of course, that is not just a health factor, yet also for expansion of pandemic economic restrictions.

However, in the context of the worsening COVID-19 spread (especially in the US heartland) all of that remains much the same as last week. We refer you back to those ALERT!!s for full review, which we will be updating with further analysis after today's US Close. That said, the analysis below has an updated front month S&P 500 future chart in the same analysis as Friday. Now we get to see whether the December S&P 500 future can post serial Closes above 3,505-10 and the 3,545 area (updated weekly topping line level), or drops more decisively back below the 3,475 Tolerance of the 3,505-10 area. It's going to be interesting.

In the meantime, it is not much of a surprise that the partially renewed 'risk on' psychology has developed currencies and emerging currencies strengthening a bit against the US dollar. The same applies to the limited pressure that is coming back onto global govies after their recent rallies (especially in Europe.)

Courtesy Repeat of Friday's critical consideration

[With an updated front month S&P 500 future chart]

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/31IF3pG> 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. And the key lower support is 3,475 near-term congestion below the low-3,500 area.

Thanks for your interest.

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