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**ROHR ALERT!! COVID-19 Pressure**

1 message

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**Dear Subscribers,**

**As noted in Tuesday's 'On the Edge' ALERT!! (US equities) "...are now 'on the edge' of needing to respond to the burgeoning pandemic impact after shaking it off since early this month. That specifically means the December S&P 500 future trading slippage below the 3,380 Tolerance of the 3,430-00 range key support that it held last week. That leaves a near-term question over whether it can sustain Closes above 3,430 again, or does it drop decisively below 3,380?"**

**And while Tuesday's US equities Close recovered to remain in the 3,380 area, the overnight news has been troubling, even if expected on the definitive previous pandemic trends. That is in a way that will surely affect the global economy.**

**Prior to continuing with further discussion of that 'macro' factor coming back to haunt the markets, we will tend to a couple of bits of housekeeping. In Tuesday's ALERT!! we mentioned our September 27th 'Tie Goes to the Challenger' ALERT!! as a reference point for the potential legal maneuvers the Trump campaign might employ in a tightly contested election result. Just one problem: that was actually published on September 30th (after the first Trump-Biden presidential debate.)**

**Apologies for any confusion or frustration, and here it the short-link to that day's Rohr research note for your ease of access: <https://bit.ly/3e2DTVg>. The potential legal maneuvers are already being implemented by both sides, leaving little doubt Trump would be happy to delay any result long enough to throw the presidential election decision back into the House, which he has already stated he would win.**

**Also note that we will be coming to you quite a bit later than usual on Thursday due to the ECB press conference occurring one hour later than usual US time. That is due to the current one week time zone displacement from the normal US lags in the wake of Europe and the UK going back onto Standard Time overnight last Sunday while the US will only shift clocks this coming Sunday. As the typical one hour ECB press conference will only begin at 09:30 EDT, we suspect we will only be drafting our analysis after that, with the attendant distribution delay.**

**Back to the 'COVID-19 Pressure', while the Pacific Rim is still doing better, the Americas and Europe are entering a full blown COVID-19 pandemic surge. It is as we have noted previous on the irrelevance of the issue of whether this is an extended Phase I (as can be claimed for the US) or a clear Phase II that seems to be the definitive case for Europe and the UK... and many other areas.**

**While Reuters had a very good bulleted summary (<https://reut.rs/31OYEz4>) of global developments this morning, it could not really capture the depth of the problems in specific locales. They also published this review of the degree to which US Governors are cracking down (<https://reut.rs/31QYKWJ>) in the face of accelerating infection rates (new all-time**

highs in many areas) that are also straining hospital capacity in many areas, like Wisconsin, the Dakotas and others.

The US is still suffering from a lack of leadership on prophylactic measures like mask wearing. Trump Chief of Staff Meadows said in so many words over the weekend (<https://cnn.it/3jBTzA2>), *"We are not going to control the pandemic."* However, even areas that saw more initial conformance with mitigation efforts are experiencing a resurgence, likely due to mitigation fatigue for some time now.

In Germany Chancellor Merkel is moving toward 'circuit breaker' based returns to restrictions in hot spots (<https://reut.rs/3e47ptF>.) While that sounds more limited, it is actually a wholesale shutdown of non-essential businesses with the goal (much as in the US) of preventing hospitalizations from overwhelming the health system and its staff. This is also the case for India as continued deterioration in Russia (<https://reut.rs/35KCPSp>), highlighting the global nature of current spread.

According to another Reuters article ( <https://reut.rs/3oyBAhs>) France is also very near another major economic shutdown to attempt to control the problem. All of this is troubling for the intermediate-term economic outlook. As we have sadly cautioned for a while, and highlighted in Mohamed El-Erian's perspective on it, when the 'real world' economic indications catch up with the 'liquidity rally' in the US equities (and others) it tends to happen all at once. And here we are.

Yet even more troubling in that Reuters article is the 'VACCINE HOPES DENTED' section, where *"...the head of Britain's vaccine procurement task force said that a fully effective vaccine may never be developed and that early versions were likely to be imperfect."* This is also as we had warned on the mutable nature of corona viruses in general... like the seasonal flu. And in any event, immunity to gained from the vaccines is also yet to be seen, where natural immunity is problematic.

In a CNBC interview this morning (<https://cnb.cx/34ARrV5>) the former FDA head Dr. Andrew Gottlieb noted (from 00:30) that the US may not impose any national lockdown, yet is reasonably three weeks behind Europe into a very troubling phase about to arrive. What is not included in that video clip is his skepticism over the 'immunity' conferred by any recovery from a COVID-19 infection.

Much as we have heard previous, reconfirmed by the opinion noted above from the head of Britain's task force, Gottlieb again noted that the natural immunity from antibodies generated by those who recover from a COVID-19 infection are not very durable. He reconfirmed previous research-based observations that the antibodies only had roughly a three month viability, especially in older patients. Of course, this negates any of the 'herd immunity' potential so strongly promoted by President Trump and members of his administration, to the point that those professionals who question it have been sidelined from public expressions.

On the other hand, all of this COVID-19 fear may be playing to the benefit of the Biden-Harris team and down-ticket Democrats in the upcoming finalization of the US election. Yet as we have noted previous, concerns about the higher taxes and regulation under a broad Democratic regime are tempered in the near-term by the likely more profligate nature of that administration. And one of the first things that will likely occur is passage of a major COVID-19 stimulus/relief package that has been heavily resisted by the Republican Senate. Good for US equities.

Yet still maybe not so good for either global govies or US dollar that recovered recently under the influence of the global COVID-19 economic restriction fears. While those profligacy fears may return to weigh on them, for now the weakness of US equities reinforces the anticipated recent shift to more 'risk off' psychology.

How far that goes will likely depend on how far the US equities fall as a bellwether for those fears. While it is worth noting that most recent front month S&P 500 failures back below the 3,400 area have led to a test of at least the 3,230-00 area, there is some minor congestion in the 3,330-00 range with a Tolerance to the 3,280 area that is already being vigorously tested on today's sharp selloff.

Another Courtesy Repeat of Monday's critical consideration

*[To be updated after Thursday's ECB press conference]*

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/34snlxy> 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 recently 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 3,550 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 level is the 3,380 Tolerance of the 3,400 area (now including weekly [MA-9](#) & [MA-13](#)) this side of the still major 3,230-00 area heavy congestion.

Thanks for your interest.

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