



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

ROHR ALERT!! Nouveau form of 'Relief Rally'

1 message

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

Thu, Dec 17, 2020 at 1:08 PM

Dear Subscribers,

We're back from Thursday's dive 'Once More into the Weeds' ALERT!! on the last potential shenanigans in the US Presidential election during a January 6th formal Congressional counting of Electoral College votes. We suggest a read for anyone who has not done so already to better understand any news in the meantime.

Yet the general tendency of the US equities late Wednesday into this morning has been a 'relief rally'. That term classically refers to a rally in a severely depressed market which suddenly has 'good', or at least 'less bad', news after a long slide. However, in the current case the importance we (among many others) have noted for the long overdue US government COVID-19 'relief' package for beleaguered Americans makes the current US equities rally resumption a 'relief' rally.

Of course, it was the dithering over various aspects of the COVID-19 pandemic relief package that previously amounted to Congress 'mugging' Santa Claus (or more *apropos* Santa Portfolio Manager... see our December 8th ALERT!! for the full Santa Claus Rally background and current context.) Finally getting to a deal (even if they need one more minor deadline extension) means that Congress gets to play 'Good Samaritan', helping Santa back to his feet and dusting him off.

As much as we all (including the global economy) should be thankful that at long last a relief package is likely to pass over the next few days, it is also not too rude to inquire, "*What the heck took you so long?*" This morning's CNBC interview of Senators Portman (R-OH) and Manchin (D-WV) (<http://cnb.cx/34ptQWS>) lays out why the current \$908 billion package (even without the \$160 billion for cities and states) is a rational approach to get past things like the late December expiration of Unemployment Benefits for millions of Americans. It is certainly a 'relief'.

That is despite the fact that beyond relief spending, there are a couple of other issues needing immediate address to stanch the looming further damage to the US economy. Worries over the December 31st eviction moratorium expiration, and the degree to which the banks need an extension of their ability to provide accommodation to borrowers impacted by the pandemic remain key issues.

Speaking of accommodation, nothing could have been more accommodative than what we heard from central banks over the past week. While we already explored expanded pandemic-related accommodation from the ECB last Thursday, the fresh reinforcement from the FOMC Wednesday and the Bank of England this morning were also impressive. The Fed has noted the degree to which it is going to extend lending programs, and Chair Powell expanded on the lack of any rate hikes being likely until 2023 in his press conference (<http://bit.ly/3oY5lYw> also including links to the formal Statement and the updated Projections Materials.)

On one hand we are inclined to believe this is a bit of Fed 'Normalcy Bias' we have explored extensively since the Yellen Fed warnings about 'strong growth' and inflation from early 2015 onward. This is a bit different insofar as it is the degree to which the Fed is not going to interfere with growth even if inflation does start to increase on any recovery next year. There was also the Fed's commitment to continuing its bond buying program, even if it demurred on the potential to increase its longer dated bond purchases. More relief there as well.

Which takes us to this morning's Bank of England communication. Of course, that was purely in written form, as there are no press conferences outside of the quarterly Monetary Policy Reports. Yet here as well the desire to remain accommodative on all fronts is a 'relief' of sorts for the economy and the markets.

You can either read the full Bank of England Monetary Policy Statement and Minutes (<https://bit.ly/3ms7LwZ>), or review the short form in a very concise yet extensive Reuters article (<https://reut.rs/34m6QrP>.) Of particular note is the degree to which it committed to expanding its bond buying program if necessary in 2021, and also to not tighten monetary conditions if there is a temporary bout of inflation above its 2.0% target if that is due to pressure on the British pound in case of a failure in the now extended Brexit negotiations. Quite a bit of 'relief' there as well from all of that major accommodation extension into next year.

Yet to be realistic about it, we always note there are reasons for extended central bank accommodation that need to be weighed against the economic and financial support provided by all of that largesse. As that has been explored at length in our previous analyses, all we can do is direct you to look around.

Just taking the US (which is admittedly among the worst cases), daily record new COVID-19 infections above 200,000 per day (post-Thanksgiving holiday surge), record deaths surging well above 3,000 per day, and record hospitalizations of well over 100,000 are very bad. The latter is straining the capacity of US hospitals in the context of so many COVID-19 patients. Some states are out of ICU beds.

As such, as important as the pending Congressional COVID-19 relief spending may be, and as hopeful as the rollout of the vaccination definitely is for the intermediate-term future, the problems into the first quarter of next year are still issues which must be monitored. The most recent examples of the impact of the Congress' lack of earlier action on the pandemic relief front are Wednesday's Retail Sales coming in at -1.1% (three times worse than expected) along with other associated numbers is at their worst levels since April.

It was also the case that the US Advance PMIs were weaker than expected, along with today's second week in a row of Weekly Initial Unemployment Claims rising by 23,000 to a very high 885,000 (versus an estimated 62,000 drop!!) These are signs pandemic pressures are rising despite previous key data improvements.

Therefore, it is on a hopeful restored 'risk on' psychology that the US equities are pushing above last week's front month S&P 500 future 3,700 area minor DOWN Closing Price Reversal (CPR.) That opens the door for a push to the 3,750-3,800 area we have been expecting ever since it overran the early September 3,500 area DOWN CPR on the early November Pfizer/BioNTech vaccine announcement.

That works hand-in-glove with the weaker US dollar. That is augmented by better Euro and British pound performances in the wake of extension of the previously troubling final Brexit

negotiation deadline at the end of this month.

**Another Courtesy Repeat of Tuesday's critical consideration
[To be Updated After Friday's Further Important Economic Data]**

Aside from the sheer magnitude of the selloff in the first week of September, it was also a technical pattern top. That is clear on the front month S&P 500 future weekly chart <https://bit.ly/3oTEqgn> updated through Friday. Such a significant rally above the previous week's 3,504.50 Close and drop well below it established a major DOWN Closing Price Reversal (CPR) with a 3,510 Tolerance.

The next significant support after it traded below the February 3,397.50 previous all-time high looked like the 3,230-00 range we had previous highlighted as rally resistance into early June. After that held once again, the recent surge back above the 3,400-30 area left a burden of proof on the bears to get the market to fail back below that area. Yet instead the December S&P 500 future posting weekly Closes above first 3,505-10 and ultimately the 3,550 area looks like it is indeed again 'Risk On' Forever. This is confirmation of our estimation the US election would be a win-win for US equities, with the key accelerated bullish influence from serial positive vaccine news across the past month.

The near-term question was whether it could hold support at the early-September 3,587 trading high and 3,582 early November Close, with a Tolerance to the 3,575 congestion? Even though it slid below them the following week on US election concerns, those issues clearing up reinstated the 'risk on' psychology.

Above that range since late November left minor congestion resistance in the 3,625-35 range. Also above that pointed to the recent 3,668 all-time high that was exceeded into the beginning of December a 3,700 new all-time high. While it traded slightly above that last week, last Wednesday saw a selloff back below that area into the area of that previous 3,668 all-time high.

That left a minor (based on only a very nominal 3,714.75 new all-time high) DOWN Closing Price Reversal. The rule of thumb on 'nominal' DOWN signals in a sustained bull trend is that they tend to be violated after only a brief reaction.

Will that be the case here? We shall see. What we know for now is that there has been very erratic activity on the obvious 'binary risk appetite' regarding the fortunes of the US COVID-19 pandemic relief package. That previous 3,668 all-time high has a Tolerance of the more recent 3,655 congestion, which it has slipped below and then recovered above in recent trading.

Yet at least so far it has held into the additional interim support at interim 3,625-35 range congestion. As long as those hold on the selloffs, the 'risk on' rally extension psychology above September's major 3,505-10 DOWN CPR still points to the 3,750-3,800 area before it is 'overextended' and more likely to react again.

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.

Please reply 'Unsubscribe' if you no longer wish to receive these emails.

Contact: 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