Gmail

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

ROHR ALERT!! Inauguration Day… In More Ways Than One

1 message

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

Wed, Jan 20, 2021 at 11:24 AM

Dear Subscribers,
We are coming to you quite a bit later than usual in order to be able to watch Governor Macklem's Bank of Canada post-rate decision press conference. It is the case that the BoC held its base rate steady at 0.25%, as did the PBoC earlier today at 3.85%. Yet we were interested in whether the BoC was going to signal any further accommodation on top of the policy (like other central banks) which will remain accommodative until economic and inflation targets are achieved.

And the most important part of his press conference (http://bit.ly/3bWfhOZ) and the Monetary Policy Statement (https://bit.ly/2Y3Xey1) was the reflection on the return of economic weakness due to the return of the COVID-19 pandemic impact on the economy. That is of course much the same as elsewhere in the world, through the pressure on the 'high contact' businesses like dining, hospitality, small retail, etc. This is due to spill over from the Q4 impact into the first quarter of this year, with only delayed improvement from the ultimately constructive impact of the major international vaccination efforts. Yet he was clear that even with the vaccines, the return to full pre-pandemic strength will likely not occur until 2023, even if there some improvement will begin as early as later this year.

Just to be clear, as interesting as the BoC indications might be, during this first big central bank week of the year they are followed on Thursday by the BoJ and ECB rate decisions and press conferences. Of note, during Macklem's Q&A he was clear that BoC has the latitude to 'adjust' its QE program to address any changes in the situation. Of course once again, this is very similar to all of the other central banks' assertion that they can become more accommodative if the situation warrants. This was apparent in the ECB's shifts at their last meeting, and we expect to hear more of the same from both the BoJ and ECB tomorrow.

This is likely the 'other' reason the US equities are behaving so well despite the near-term economic headwinds, along with the 'Friendly Biden Anticipation' influences noted in the title and analysis of Tuesday's ALERT!! Of course, with the official shift to the Biden administration that just occurred (12:00 EST), the actual implementation of Biden's major spending and political plans will become more acute for the markets after his recent significant proposal speeches.

While we still have our reservations about the major stimulus/relief portion of those plans, we suggest a read of Tuesday's ALERT!! for the full details. Yet there is also the somewhat longer-term impact of the currently less than effective US COVID-19 vaccination program. The incoming administration, along with many others, have pointed out the failure of the Trump administration to effectively implement a national vaccination effort. Once again, this is not a political comment on our part; it is merely the realpolitik of leaving such an important national effort to individual states that are less than well-equipped to perform.

More than a few economic observers have noted that one of the most important aspects of the new Biden administration's policies will be whether it can slash that 'Gordian Knot' to indeed create a more successful effort… as Biden has committed to in pre-inauguration speeches. It is going to be both interesting and important to see if the US program can be accelerated, as many folks feel that is the ultimate key to overall improvement in the US (and global) economy.

This is another part of the 'friendly Biden anticipation' that is actually a key component of making initial stimulus/relief spending worth the hefty price tag, and not something that will need to be repeatedly revisited. To state the obvious, returning the economy to health will also be the key to restoring federal and especially local tax revenues that have been significantly reduced by the heavy economic weight of the pandemic. It is either a virtuous or vicious circle.

And highlighting the hole from which the global economy will need to dig itself, Monday also saw the release of quarterly Organization of Economic Cooperation and Development's Employment Situation report (https://bit.ly/39S16YO) for Q3 of last year. Recall that many of the cheerleaders for previous stimulus programs had noted the significant nature of the recovery from Q2 devastation. It was less well observed by many that this still left the world in a parlous state.

As the OECD report notes, even the significant Q3 recovery left employment well below pre-pandemic levels. This is a clear indication that there is much work left to be done, and the reversion to greater economic restrictions in the wake of the Q4 COVID-19 pandemic resurgence sets back many Q3 economic advances.

That said, the US equities are obviously experiencing more of that 'friendly Biden anticipation' today, and the emerging currencies continue to reflect the likelihood of future global economic growth in regaining their bid into a strong phase since the middle of last week. However, the previous 'bifurcated' psychology has also returned to some degree in the global govvies maintaining their recent recovery despite the strength of the US equities and emerging currencies (as developed currencies still struggle somewhat against the US dollar, as they have of late.) That said, if the Biden stimulus/relief can be adjusted to be more effective (see our previous analysis) and the vaccination program accelerated through a truly national effort, it is likely that the global govvies will come back under pressure.

Courtesy Repeat of Tuesday's critical consideration
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/3bOSSmQ (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 the serial positive vaccine announcements since early November.

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 in early-mid November 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 with a 3,700 new all-time high. While it traded slightly above that into early December, the lack of a Trump signature on the COVID-19 relief package sent it back down to a very temporary late-December test of the 3,600 area. Finally more fully out above the low 3,700 area on a belated 'Santa Claus Rally', saw it up near the 3,750-3,800 resistance.

However, based on recent weekly Closes, there are elevated weekly Oscillator historic indications. Those December thresholds are the weekly MA-41 plus 520 and plus 550, and based on weekly MA-41 now rising an impressive 25 points per week, those are up to 3,855 and 3,885 this week. And as is often the case at a new extended all-time high, those are presently the only quantifiable resistances, and they are still rising $25/week based on the accelerated rise of weekly MA-41.

Of note, last week's straight down drop did not establish any technical top in its own right, with the lower supports more critical on any further pressure. After the March S&P 500 future was holding 3,775 area minor recent congestion most of last week, it failed late week… interestingly in the wake of Biden's major proposal.

However, important psychological and technical support remains down in the 3,740 area it barely neared prior to rebounding. That is the congestion level (seen on misplaced fears of a Democratic-controlled Senate two weeks ago Tuesday.) That was held despite the more prominent lower support being the 3,700-20 area it had been trading below early last week. Those are now key near term supports.

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