Gmail

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

ROHR ALERT!! PMI Friday

1 message

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

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Dear Subscribers,
The global Advance PMIs released this morning (for both Manufacturing and Services in most cases) reconfirmed everything we had reported about central banks views and moves in Thursday's 'ECB Recommits' ALERT!! In the context of the economic weight on the individual country and regional economies from the resurgent COVID-19 pandemic into Q4 2020, they each highlighted how manufacturing might be doing alright, but the services sector was still a mess.

Also important after Wednesday's Biden-Harris inauguration, the economic data implications are more important once again after months of greater emphasis on 'macro' factors. While there will still be quite a bit of focus on major items like the Biden stimulus/relief proposal and invigoration of the US vaccination program, the data will be more prominent again now that Mr. Trump is off in the wings.

And here we are this morning with Advance Manufacturing PMIs remaining firm for the most part while Advance Services PMIs were mostly even softer than already weaker estimates. The interesting exception was Germany, where the Manufacturing PMI actually slipped a bit, yet Services had improved even if that was still well below 50.0. The worst of the Services figures was the UK weakening to 38.8 from an already weak 45.5 estimate. That is not really a surprise in the context of quarantine measures on the new more infectious pandemic variant.

The US was a bit of a standout once again in the strength of both of its Advance PMIs, where Manufacturing rose to 59.1 and Services rose to 57.5 from 54.8 on the previous reading (and against an expected drop to 53.6.) However, reflecting the latest pandemic fears and actual pressure on the 'gathering' economy, the ISM US Employment Index subset was 51.8, which is the lowest since July.

This gets back around to the impact on Retail Sales and Employment that have been so surprisingly (or not depending on one's perspective) weak in the US and elsewhere of late. Along with the recent US Employment report, Thursday's Canadian ADP Employment Change was a still weak -28,800. While Canadian Retail Sales surprised to the upside, UK Retail Sales were much weaker than expected even if better than the November disaster… again, not a surprise.

That wraps up the key economic data for the week, with additional major amounts of data due in next week's last reporting phase of the month after the central bank focus this week. Of note amidst all of the other important international data, that includes the first look at US Q4 GDP the optimists hope is still a nicely positive reading (estimated at +3.9%) after the Q3 33.4% surge. Either way that will be an important benchmark as the prism into which any Q1 data will be assessed.

Back to the 'macro' for a moment, we still have the same concerns over whether the Biden stimulus/relief proposal is enlightened in its broad distribution of funds sent to all individuals instead of concentrating on those most in need of relief. Once again, what is the logic behind sending US taxpayer money (ultimately borrowed funds) to those who've had no drop in employment or income under the pandemic pressures? As some credible analysts have noted, those funds are likely to end up in bank accounts, the stock market or even sports betting.

For more on this we suggest revisiting our recent analyses. Please see our Tuesday 'Friendly Biden Anticipation' ALERT!! on the issues surrounding his COVID-19 stimulus/relief proposal. As a fresh historic indication of what is likely to occur once again that is not going to actually 'stimulate' the US economy, consider what happened to the US savings rate after the March CARES Act broad-based stimulus checks were sent. Check out the most interesting Personal Saving Rate graph (http://bit.ly/3o2YxrK) from the always impressive output of the Economic Research team at the St. Louis Federal Reserve Bank.

More so than the sustained higher levels of the 1960s through the mid-1980's, note that it had been no higher than 10.0% since that time. It had also been as low as a highly criticized 3.0%-5.0% out of 2000 into 2008, after which folks likely appreciated the benefit of savings after the Credit and Housing Bust. Yet there was never any historic precedent for what happened after the CARES Act checks were sent into April 2020, after which the Savings Rate ballooned to 33.7%. (For a closer view, use the slider at the bottom of the chart to expand recent history.)

Should this pattern be repeated (even though we are not positing that is a given), it will confirm the degree to which the current form of the Biden Stimulus/relief package is repeating the mistakes of recent history; which many in Congress had noted, and admitted it was a flaw in the CARES Act. As George Santayana had cautioned back in the early 20th century, "*Those who cannot remember the past are condemned to repeat it*." Of course, in the political sense there is always the question of whether they 'cannot' remember, or if it is willful ignorance due to certain plans and programs appealing to some of the politico's constituents.

Once again we feel the need to remind you that this is not a political statement on our part, as we are equal opportunity critics of both sides. Yet on the degree to which there were Republican campaign barbs on the Democrats leaning toward Socialism, splashing out big bucks purely to have folks feel the government is a source of wealth would seem to reinforce that otherwise misguided claim.

Yet there is a crack of light in the Biden mentality on this, even before any of the moderate Democrat criticism of the stimulus/relief proposal (likely waiting until the new administration officially floats the legislation) that might rationalize the relief focus. According to a Reuters article (https://reut.rs/3c8c3lt) this morning, Biden will be signing executive orders today focused on. "...*speeding pandemic stimulus checks to families who need it most and increasing food aid for children who normally rely on school meals as a main source for nutrition*."

Finally some recognition that there are some in much greater need who require assistance more quickly than any program to send stimulus checks to the broad American public. Just as a reminder, while Biden can accomplish this quick relief by executive order, the broader package that includes assistance to states and municipalities, the funding for the critical federal assistance to the currently deficient vaccination program and other matters will need to be legislated.

And then comes the next counterproductive bombshell this morning: shortly after 10:00 EST new Senate Majority Leader Chuck Schumer announced that House Speaker Pelosi has indicated she will send over the 'Incitement of Insurrection' Article of Impeachment against Donald Trump on Monday… ???!! Wait… What?

If it proceeds as stated, this is another very clear example of "*Those who cannot remember the past…*" Did Democrats learn nothing from their overly rushed impeachment of Trump in late 2019? And this is in the context of Senate Minority Leader McConnell having offered to delay the impeachment until mid-February to allow for other business… like the confirmations of Biden's cabinet members and other key officials that are critical to implementing his aggressive programs.

We apologize for dragging everyone back into the weeds that we had hoped we were all done slogging through after the Biden inauguration. Yet as it appears to us that the Democrats must be hoping they can convince the Republicans to waive the constitutional mandate that the Senate entertains no other business once an impeachment trial begins, how this unfolds into next week may also be critical to the markets. That is on whether any of the Biden appointments or the critical legislative necessity of his program will be addressed… striking!

And for anyone who enjoys diving into the US political weeds, here is the short link to last week's NPR (National Public Radio) article (http://n.pr/2LVgxHA) on the House impeachment of Trump. It includes the official Article in all its glory.

As far as the markets are concerned, nothing has really changed on the US equities exhausting near-term strength into the noted weekly Oscillator resistance, yet not falling too far as yet based on any negative reaction to the announced accelerated Trump impeachment schedule. In fact, we are a bit surprised that they have not weakened a bit more today on the accelerated impeachment schedule announcement by Schumer.

Global govvies have also stabilized after the German Bund fell on Thursday's somewhat shocking intensified ECB calls for fiscal stimulus. That is in the context of many European stimulus programs being due to terminate this year.

The foreign exchange is much the same as well, with other developed currencies maintaining their recent renewed bids against the US dollar. Emerging currencies are also maintaining recent gains despite slipping back from the most aggressive rallies that were back in form from lower support tested at early last week.

Another Courtesy Repeat of Tuesday's critical consideration
[Not much has really changed]
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.

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Contact: rohralert@gmail.com