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

ROHR ALERT!! The Alvy Singer Market

1 message

ROHR Alert <rohralert@gmail.com>
Bcc: ar.rohr.intl@gmail.com Thu, Jan 28, 2021 at 12:33 PM

Dear Subscribers,
You can't say we didn't warn you that certain of the major 'risk on' assumptions driving the continued bid in US equities and emerging currencies were in flux. And the same goes for those assumptions restraining the recovery rally in the global govvies… it's all of a piece. In the wake of the markets atypical activity right into Wednesday's FOMC announcement and Chair Powell press conference (especially the intensified volatility), we are cutting right to the market activity chase and will later return to the shift in the key drivers for Wednesday's activity.

The US equities took a major tumble fully back below the front month S&P 500 future 3,800 area, and the previously tested 3,775 interim support Tolerance of that support. This of course left the door open to the lower interim 3,740 area. That was the area traded into only very temporarily on January 6th 'profligacy' fears in the wake of Democrats looming success in the January 5th Georgia dual Senate runoff elections to gain control of the Senate. Yet the afternoon weakness gave way to the more upbeat 'risk on' psychology on stimulus/relief hopes.

There are reasons for that lapsing into weakness below that area on Wednesday, which we will revisit below. Yet the more prominent trend support was always the 3,720-00 area we had also made clear in recent analysis. That is the much heavier congestion it had topped into and churned around since the rally high on the US House Problem Solvers Caucus and their Senate allies rolled out their combined compromise COVID-19 stimulus/relief proposal slightly earlier in the month.

As such, it is no surprise on both the Evolutionary Trend View (including weekly MA-13 into 3,690 at present and moving up into the low 3,700 area next week) as well as the nature of the weakening 'macro' influence that this is where the March S&P 500 future held on the extremely volatile Wednesday selloff. And those levels remain the key higher resistance (i.e. violated supports), with next lower interim support at 3,668-55. That is around the initial early-mid November Pfizer/BioNTech vaccine efficacy announcement trading high) from which it immediately reacted.

The more substantial support is the 3,600-3,587 area. 3,587 was the front month S&P 500 future early September trading high that turned into the 3,505-10 major DOWN Closing Price Reversal on the sharp drop later that week. That was neared on a temporary retest of 3,600 during President Trump's 'obstinacy' selloff, when he temporarily refused to sign the stimulus/relief bill during Christmas week.

Yet that was rightfully interpreted by the market as a position Trump could not maintain for very long, as the US equities recovered very quickly back above the 3,668-55 range early that week. In other words, the market knowing that the very delayed stimulus/relief spending was still certainly on the way took the 'forward view' in its return to strength. In

fact, that sort of 'discounting' future positive influences has been a key feature of the US equities trend ever since that time.

With some interruptions for what were sometimes sizable reactions (especially into the beginning of this year), that is the psychology that also drove the sustained rally in the emerging currencies. As such, it is not surprising that they have also come back under pressure on the diminished 'risk on' psychology due to the recent 'macro' psychology shifts we will revisit below. While some performed better (SA rand and Mexican peso) than others in 2020, they are all slipping toward more important supports at present that will need to be watched in the context of the fortunes of the overall 'risk on' psychology from here.

That leads to global govvies which appeared in such serious trouble as recently as two weeks ago, That is when both the US T-note future and Bund future had seemed to violate some important lower support on top of their early January slides in the wake of the Democrats US electoral success. However, even though the Bund also temporarily slid below key support after the ECB's Lagarde call for more extended Euro-zone fiscal stimulus last Thursday, they have both recovered back above the key levels by a goodly degree. That is on the erosion of combined 'macro' factors during the course of this week that was reflected in US equities selloff and the renewed weakening of previously resilient emerging currencies.

Just to clear, we are no longer bulls on the global govvies. After maintaining an overall bullish view for various good macro-technical reasons through thick and thin since the mid-1980s lows (that's right… 35 years), we believe the govvies have finally topped. Yet our experience from the 1970s informs our view that the early phase of any broader reversal into a sustained global govvies bear trend will be very gradual and choppy. It is the classic 'turning a supertanker' trend perspective on the old psychology not being easily reversed in the short-term.

Getting back to the important overall psychology in this key period, you might be wondering just what "The Alvy Singer Market" title means. Well, we are once again relying on our broader historic cultural and psychological awareness for that insight from the 1977 Woody Allen movie 'Annie Hall'. In more than a bit of self-reflection, Allen's Alvy Singer character is a forty year old twice divorced, neurotic, intellectual New York stand-up comic, also prone to a bit of depression.

Among his character's most famous quotes from the movie is his reflection on whether there is any chance for real happiness, or does life merely fluctuate in between the 'horrible' and the 'miserable'? To wit, "*I feel that life is divided into the horrible and the miserable*." And later in the soliloquy after explaining the nature of those whose lives are 'horrible', "*So you should be thankful that you're miserable, because that's very lucky, to be miserable*." The relationship to recent US equities bull market (and somewhat for the emerging currencies) activity is that things have been miserable, but they always found a way to keep going.

There has been the misery of the global COVID-19 pandemic overall, a US general election that was pre-contested by the sitting US President with specious claims of election fraud that have never been proven in court, the concerns over a much delayed US COVID-19 stimulus/relief package, the pressure that brought on an already weakening economy, the chance for greater inflation from Democratic profligacy after they took control of the Senate, that being reversed into fresh concerns over whether the further Biden ARP relief

program can be passed, and in what form and whether it will be enough after continued pandemic problems.

Yes, that's one long sentence. Yet it sums up a significant of the things the US equities have surmounted on their way to the next set of new all-time highs out of last week that were matched this week (March S&P 500 future into the 3,860 area.) However, as we have explored many times previous, if three different aspects of 'risk on' psychology that become negative (or at least significantly less positive) at the same time, it is the sort of macro confluence which can bring more of a downside reaction to even the most previously resilient US equities trend.

The recent US equities rally extensions were predicated on the three pillars of the 'light at the end of the tunnel' vaccination program success, recent pandemic suppression steps seemingly creating an environment (slightly lower new cases and hospitalizations) which would allow for some lightening of those restrictions, and the Biden ARP stimulus/relief proposal providing more assistance. The latter was regarding both the accelerated vaccination program and other support to states and municipalities in addition to further significant individual payments.

And the new Biden administration approach to public communication should be generally lauded for its return to definitive insights from its experts in their fields provided directly to the public. However, the first press conference of his new COVID-19 medical panel on Wednesday had more than a few technical virtual meeting communication glitches. In addition to the previous indications of a lack of qualified information from the outgoing Trump administration pandemic team (cannot tell how much vaccine actually exists), there was the indication that vaccine production was significantly below the previously anticipated levels.

While they committed to accelerating that as soon as possible, in order to be transparent (a key Biden administration theme), they had to allow it might be later this Summer before every American who wanted them could receive the dual vaccinations required for immunity. There are also concerns about the current global spread of the new COVID-19 variants, which are seen as more infectious and more pernicious in their health impact. That would seem to suggest the current easing of COVID-19 suppression steps are not going to go well.

So there are two of the current reasons to see things as only miserable instead of horrible which are now a dimmer 'light at the end of the tunnel'. And as noted in Wednesday morning's 'Waitin' on Mr. Powell' ALERT!!, the Fed is not going to be a radical rejuvenator of either the economy or the US equities in its own right. That is due to the Fed already being 'all in' on full tilt monetary and lending accommodation. As such, there is not anything more that they can announce in the way of 'new' programs at present. That has been a bit of a soft point for US equities and emerging currencies, weakening the 'risk on' psychology at times.

That was explored at length in Tuesday's analysis (which we repeated Wednesday morning), and we suggest a read of that definitive recent historic perspective for anyone who has not done so already. In any event, this could not have been any clearer from what Fed Chair Powell had to say as part of the opening explanation of current developments portion of his post-statement (https://bit.ly/2NJaQx1 our mildly marked-up version) press conference (https://bit.ly/3pp31KF) yesterday.

It's all there in the first three minutes on the continued significant weight of the pandemic on economic activity, especially the gathering portion of the economy which we have explored many times in recent analysis. It gets more pointed than that as he was clear on (from 00:50), "*The path of the economy continues to depend significantly on the course of the virus*." As such, the Fed is signaling that even with Brobdingnagian balance sheet growth via major bond purchases, it cannot actually reinvigorate the economy in the face of the pandemic spread.

Powell also noted that the resurgence into late 2020 was responsible for the current weakening of economic tendencies from a Summer recovery. He also noted the important role that government stimulus and relief played in that temporary renewal of economic fortunes. That brings us back to the Biden ARP (American Rescue Plan) proposal's fortunes in the US Congress, and whether it can pass in anything like its originally proposed spending and relief targets.

We think this is highly unlikely, and as discussed in recent analyses, the timing is also at risk with just 10 days to go before the Trump impeachment trial begins. Thinking it will pass in its originally proposed form in that limited time frame seems wholly unrealistic. That is in the face of Republican resistance, and even some concerns by moderate Democrats. This is as we had warned since just after the Democrats success in the dual Georgia dual Senate runoff elections.

And now we can see where Democratic Senator Manchin as well as Independent Senator Angus King (who generally caucuses with the Dems) alsong with even the most moderate Republicans are questioning the size of the proposed relief checks in Biden's ARP proposal. As confirmed in Sunday's POLITICO article (http://politi.co/39hrg7V), this is as expected over a sense these payments need to be 'means tested' in some manner (likely lowering the income threshold) to make sure they are going to the most needy, and not those who don't need the money.

While we had noted the problems with the checks going to well-off folks earlier last year, our most recent pointed assessment was in our December 21st 'Relief Rally… Or What?' ALERT!! [Rather than have you hunt around to review that, here is a short-link: https://bit.ly/3bGpO0H.] As just a simple highlight, note the graph on what happened to the previously significantly low US Savings Rate after the original March CARES Program checks hit into April (https://bit.ly/2LWyB4d.)

That is a selective last three years portion of St. Louis Fed Economic Research department (FRED) longer-term graph. If you are interested, you can also access a full (mid-1959 through late-2020) interactive graph (https://bit.ly/3o2YxrK) with cursor hover specific data readings, and the active slider to adjust the time frame.

In addition to that, immediate adjustments to get reluctant Democrats on board are necessary if there is to be any chance Biden's ARP proposal will pass timely prior to the February 8th commencement of the Trump impeachment trial. If so, that will almost assuredly mean the amount and/or the annual income provision will result in less stimulus/relief spending. If not, (possibly based not convincing the moderate Democrats) there will be no relief spending until later in February.

So despite the radical rebound of the US equities into this morning, there are the renewed negative factors which affect all three pillars of the previously resilient 'risk on' psychology that must be closely observed in coming days. That the Fed is now mostly powerless to influence the economy and the markets is clear from Powell's view that it "*rests with the*

***course of the virus*.” This was also apparent in lack of any of the typical ‘friendly Fed anticipation’ into Wednesday afternoon’s announcement and press conference that normally buoy US equities.**

By the time Powell spoke the US equities were already discounting the idea there wasn’t much more the Fed could do. That left the US equities with the new Biden COVID-19 Task Force newly transparent communication that was less than encouraging on the ability to fight the original form of the pandemic virus, much less immediately address any of the more virulent COVID-19 variants.

While he is somewhat of a Cassandra, Dr. Michael Osterholm was on CNN this morning making clear how badly the US is failing in its pandemic fight. It is down at 42nd in the world in genomic sequencing of the virus (which is why the identification of new variants are all coming from elsewhere.) The already weak testing effort is now being hamstrung by the desperate need for medical staff elsewhere to attend to COVID-19 patients. And partial re-opening of some regions on the faith that current lower cases and hospitalizations is a form of insanity.

In that regard his metaphor is, “*We are always very good* (as demonstrated by the previous several rounds) *at being more cautionary after we’ve smashed the car into the tree*.” With new more infectious and virulent virus strains emerging, Osterholm has recently asserted that the worst of the pandemic is still to come. That is into the waning expectations there will be enough vaccinations to deliver US ‘herd immunity’ anytime soon. Whether that remains possible by this Fall will rest with whether the vaccination program can indeed be amply accelerated.

That leaves the bulk of any near-term upbeat expectations improvement with the Biden ARP proposal, and its very short legislative fuse into the end of next week. Therefore, it is a real challenge to trust the renewed current ‘risk on’ psychology in US equities and emerging currencies, or become negative on global govvies under current macro factor evolution. As is apparent, the near-term psychology will most likely depend on the fortunes of Biden’s ARP proposal that will very likely be reflected in the trend evolution of the US equities. Does it remain in Alvy Singer’s acceptably ‘miserable’ state, or do things become ‘horrible’ again?

Courtesy Repeat of Monday’s critical consideration
[To be updated after Friday’s major international economic releases]
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/3iHKJ4U (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 3,880 and 3,910 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.

After the March S&P 500 future recovered back above the 3,775 area minor recent congestion, last week left it pushing up to that next new 3,860 all-time high (right into last week's lower weekly Oscillator resistance.) However, if there is pressure on the 'risk on' psychology from a stalled Biden relief package, more important psychological and technical support below the 3,800 area remains down in the 3,740 area it barely neared three weeks ago prior to rebounding.

That is the congestion level (seen on misplaced fears of a Democratic-controlled Senate three weeks ago Tuesday.) That was held despite the more far prominent lower support being the 3,700-20 area it had been trading below early that week. Those are now key near-term supports, including weekly MA-9 and MA-13.

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.
© 2021 All international rights reserved. Redistribution strictly prohibited without written consent