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

ROHR ALERT!! Cold and Hot Blasts = 'Risk On'?

1 message

ROHR Alert <rohralert@gmail.com> Tue, Feb 16, 2021 at 12:15 PM
Bcc: ar.rohr.intl@gmail.com

Dear Subscribers,
Welcome back from the US Presidents' Day and Canadian Family Day. Yet the market didn't rest on Monday, as the trends indicated on Friday in the various asset classes continued despite the US, Canadian and Chinese market closures.

It was notable that our sanguine Friday 'Holiday Wrap' Alert!! on what seemed a bit of quietude prior to the long holiday weekend was disrupted at the end of the day by more aggressive bullish activity returning to the US equities. That was one of the recent hot blasts driven by a key factor we will return to shortly below.

However, first there are the cold blasts that might be imagined to weigh on the 'risk on' psychology, yet they have not. The most obvious is the meteorological cold blast hitting far south into the United States, and even northern Mexico. Texas does get cold in the winter, but not nearly as cold as the recently sustained subzero wind chills. And along with unheard of heavy snowfalls in other parts of the American South, this is both a human tragedy and economic catastrophe.

This has led to entire areas of the South being closed due to government fears of low visibility during the blizzards, and icy roads in their wake over the last week. There have been multiple major multi-vehicle smash ups including tractor trailers, some of which have ended in severe injuries… and that was due to freezing rain even prior to the snowfall and extreme cold. For much more on the details, please see this very good Reuters article (https://reut.rs/2LQxMtv) updated on Monday.

It points out that the 'greener' wind power has failed. Various reports blame this on ice accumulation on the turbine blades, or just plain freeze ups in the extreme cold for what is normally the source of 25% of Texas energy (now cut by half.) It is also the case that the draw on Texas power companies is forcing them to create rolling blackouts throughout the state to prevent total failures of power plants.

This means that homes heated with electric heaters, or those whose natural gas heat requires electronic ignition (generally the case) are without heat. That is for as many as 4 million customers just in Texas, and this is due to move as far into the Southeast as Georgia. While it may not get quite as cold there, the record low wind chills so far have reached as low as -50 degrees Fahrenheit. Truly scary.

That explains the pressure on the power grid. As one meteorologist explained it, this is different than summer stresses. If you're trying to keep your home down at 78 degrees when it's 105 degrees outside, that is a 27 degree difference. However, the 110 degree differential when you are trying to warm your home back to even as cool as 60 degrees when it's -50 degrees outside is a whole different matter.

While being very sympathetic to our Southern compatriots, the difference is that up the northern climes, we are equipped for it. The home and apartment designs anticipate

extreme temperature phases during the winter. By comparison, up in the North we have huge salt trucks (literally lumbering behemoths) with plows on the front to keep roads clear. Snowfalls of up to four feet and weeklong stretches of subzero. The current view into our yard (https://bit.ly/37l2XVh) is fairly normal.

Yet from traveling to South Florida at some points during the winter (right about now for the Presidents' Day long weekend school holiday with our children) we know that even when it gets down to only +40 degrees, it is not possible to bring housing up to comfortable temperatures. But -50 degrees? Forget about it.

In the South at present this is also in the context of the classical carbon fuel industry experiencing production and shipment failures due to the extremely low winter temperatures. The entire problem is also an economic issue, which is estimated to entail at least $1.0 billion of damage in the agricultural area alone.

So there is the full story on the current sustained travails of the US economy in the South. It would be easy to imagine that the weight this is putting onto the US economy in general should also bring some pressure to the US equities, and possibly buoy the recently weak global govvies. *Au contraire*, it is seeing a surge of the US equities since late last Friday and more pressure on the global govvies.

Part of this is likely the classical 'bad news is good news' already seen in recent days in all asset classes in the wake of weakish economic data. And just before getting back to the 'hot blast' 'risk on' psychology drivers, there should also be at least a chill on the COVID-19 pandemic front from the emergence of the new, more infectious and deadly virus variants. All in all, the 'risk on' psychology looks at least specious if not indeed wholly misguided in that context.

On the latter, the most recent hot blast of 'risk on' psychology is the degree to which the Biden administration's more aggressive federalization of the COVID-19 vaccination campaign seems to already be yielding results. While his original goal of 100 million vaccinations in his first 100 days was a bit of a canard insofar as that was already being accomplished, recent progress in coordination with states shows that can be exceeded. The new goal is 150 million, or higher.

There is also the news that with only limited exceptions the existing vaccines are substantially effective against the known COVID-19 variants. Keep in mind that the goal is less 100% immunity than the reduction of extreme illness that put such pressure on hospital systems and caused high levels of fatalities. This is not perfect, yet is a major practical advance toward reopening economies compared to the disjointed lack of collaboration with the states under the Trump administration. As such, it is a major source of economic optimism as well.

Speaking of which, synergistic coordinated influence in that context is the still strong anticipation that Biden's American Rescue Plan will pass the US Congress timely by early-mid March. That is necessary at a minimum to prevent the loss of accelerated unemployment benefits for many needy Americans. Yet the balance of the program's stimulus aspects include support for beleaguered municipalities and states, more funding for school reopenings with COVID-19 suppression measure funding, and of course $1,400 stimulus checks to many Americans.

As we have discussed the minor disconnect with the Democratic moderates on the annual income ceilings (and the likely solution for their concerns) previous, we refer you back to

our ALERT!! from a week ago today ('OECD Upbeat… With a Caveat') for a more in depth review of those issues. And as they are ultimately solvable, the presumption is that the Biden ARP proposal will indeed pass.

There was of course a minor delay out of last week that might have spilled over into this week: the Trump impeachment trial in the Senate, which suspended any work on other items. While it was always due to end timely to return to the Biden ARP efforts, that was greatly enhanced by the degree to which it became obvious the Democratic House 'impeachment managers' were going to wrap up on Friday without calling any witnesses, where that might have elongated the Senate trial.

It was already known that if the Democrats were not calling witnesses, the Trump defense team would also demure on that. That meant both sides would likely be providing closing arguments and a vote would occur by as early as Saturday, which is indeed what occurred. Trump was not convicted. And while the whole thing has follow-on implications for American politics moving forward, that is about as far into the US political weeds as we feel is instructive for now.

That is because the market implications were glaringly apparent from later in the day last Friday. A major portion of the 'bad news is good news' psychology rests with the assumption that the Biden ARP proposal will indeed pass timely into law by mid-March at the latest. The worsening economic data seen of late has been substantially on the fresh COVID-19 restrictions due to the resurgence of the pandemic after the holiday travel infection spread in the US and elsewhere.

That created a sense the need for pandemic offsetting government relief and fiscal stimulus was more so necessary than many of the fiscal conservatives in the US (and again elsewhere) had indicated previous was necessary. Of course, part of the current more upbeat market psychology is also that there are now significant decreases in the number of new infections and hospitalizations.

Yet the already incurred economic damage in the heavily affected 'gathering' industries (dining, hospitality, even airlines and others) would still seem to call for the Biden ARP proposal to pass through Congress. While there may be some modest adjustments, that is at the margins on the stimulus check eligibility front, and we suspect there will be something approaching the full original $1.9 trillion request approved. Much less will be rejected by the Progressive-Left.

As such, while a bit of a surprise after such lacklustre activity in the low 3,900 area since hitting it at the beginning of last week, the March S&P 500 future exploded from the 3,910 area through the 3,925 weekly Oscillator resistance (seen last Wednesday) for a weekly Close of 3,931. That was right about the time it became apparent the House Democratic 'impeachment managers' were going to wrap up their 'prosecution' very timely. That would foment the return to focusing on the Biden ARP proposal more timely than some had feared earlier last week.

This is very reminiscent of what transpired on the original Biden ARP votes in the Senate back on February 4th. If you so desire, you can review our 'Inevitability Prevails Over Immediacy' ALERT!! (February 5th) for much more on the specifics. Suffice to say for now that after a major recovery from the GameStop disruption 3,700 area selloff lows, the March S&P 500 future pushed up aggressively from 3,820 area churn right through the previous weeks' 3,862 all-time highs. That was on the indication the Democrats (even the Moderates)

were on board to reject Republican amendments, and pass the Biden ARP program very timely.

And a quick look at other asset classes confirms they were already anticipating what the US equities only reacted to with the indication of the timely end of the Trump impeachment trial. In the global govvies, the March T-note future was already back down the 136-16 Tolerance of its 136-30/-24 weekly chart Area Gap from back during the wild March 2020 price swings. It opened the week Sunday evening violating that even more so than during the previous mid-January selloff.

The emerging currencies were even gaining more ground against the US dollar than on their previous recent resurgence. While they have given back a bit of that gain today (possibly on more upbeat US prospects), there could not be the more upbeat 'risk on' context for their previous strong rally without some anticipation of a better global economy. In addition to some improvement in previously less upbeat Asian economic data, that is likely on prospects for robust US COVID-19 stimulus/relief, and the associated better pandemic suppression activity.

This is the 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/3jVIvzt (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 and ultimately above the 3,750-3,800 resistance.

Based on previous weekly Closes, there are elevated weekly Oscillator historic indications. Those December thresholds are weekly MA-41 plus 520 and plus 550. Based on weekly MA-41 now rising an impressive 25 points per week, those are up to 3,950 and 3,980 this week (Friday Close-based.) Those are more realistic near-term targets now that March S&P 500 future has pushed above the previous 3,862 all-time high after the GameStop volatility whipsaw down to 3,700 support.

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