



Alan Rohrbach &lt;ar.rohr.intl@gmail.com&gt;

---

**ROHR ALERT!! Post-WHAT?**

1 message

---

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

Thu, Oct 28, 2021 at 10:46 AM

**Dear Subscribers,**

Today's title refers to the degree to which Madame Lagarde's ECB post-rate decision press conference was really just more of the same from another central bank that is using the near term COVID-19 pandemic dislocations to maintain an overall accommodative stance. While the Bank of Canada announced the end of its outright QE purchases on Wednesday (<https://bit.ly/3EoMf5t> for its press release on the policy shift), it will maintain reinvestment of bond proceeds.

The ECB press conference (<https://bit.ly/3nvJskg> skip the first 11:00 opening) was unremarkable in observations on inflation and the supply chain issues remaining well into 2022, yet continued confidence they will abate after that. This is of course very similar to the Fed maintaining its accommodative stance due to the near-term economic drags despite stubborn inflation looking more pernicious.

What Madame Lagarde had to say about the supply chain bottlenecks relief was very enlightened. As opposed to what some US politicians are saying about any early resolution of that problem, she holds that a goodly part of the solution is the additional shipping tonnage that is being created at present by major cargo ship manufacturers, which of course takes many months. As opposed to the Biden administration promises, this means the issue will remain for many months.

Also note that the provision of more cargo transportation will not resolve the US West Coast port congestion problem... it might actually worsen it. She also noted the energy component of inflation is a multifaceted issue revolving around low inventories, lack of wind power in Europe (aggressive environmentalists should be duly chastened), strong Chinese demand, and Russian control of critical natural gas supplies for Europe. Based on that, this will also last quite a while.

So it was not much of a 'post' rate decision discussion, as it was more so a continuation of the same stance where decisions were not taken. For more on the overall context, see Lagarde's typical opening Monetary Policy Statement (<https://bit.ly/3GtjOoR>) with an outline of each key area, and the earlier 'decisions' release (<https://bit.ly/3mmBRVO>) highlighting the steady nature of its QE efforts.

This is more of a lack of real news, with PEPP to continue through at least March 2022, and the latitude to extend any of its QE efforts if financial and economic conditions should warrant. Yet the ECB is also confident that the wage increases which are also part of the current inflation (as is the case elsewhere as well) will not continue to become 'second round effects'. That is the ECB's pet term for the rightfully dreaded 'wage-price' inflation feared by all central bankers.

The other "Post-WHAT?" issue that is prominent once again is the still stubborn spread of the COVID-19 pandemic, even if on a more subdued path. This is as we explored in

**Wednesday's 'Funny Old Risk-On Psychology' ALERT!! (repeated below for your ease of access along with some other research.) We are quite concerned about the upbeat expectations for a 'post-pandemic' world, which has been a ubiquitous phrase in recent general and financial news coverage.**

**Certainly there should be some cheer on the very likely US approval of the Pfizer-BioNTech and Moderna vaccines for children (ages 5-11.) Yet for all of the reasons discussed Wednesday, this is not likely to be a panacea either for the return to normal education or relief for all of the workforce constraints that the overall vulnerability of children and their families has fomented. Much as with the adults, it's more so a matter of actual shots in arms (full discussion below.)**

**There are also the issues of the overall path of the pandemic in even highly vaccinated countries, and whether that will accomplish the full return to normal (or a 'new-normal') global economy. Added to that are the major Chinese property developer concerns (also more below.) Even if that may be more so a Chinese economic problem if it worsens into late this year, the second largest economy in the world weakening further cannot be considered a good thing for the rest of us.**

**The markets are reflecting this in the strength of US equities not being matched by activity in other asset classes. While the US Dollar Index is finally weakening below the 93.70 area just this morning, the other developed currencies are still up against higher resistances. While emerging currencies are getting a bit of a bid this morning, they have been under pressure during the recent bifurcated 'risk-on' psychology shift (i.e. even though US equities set a new all-time high.)**

**And the recent sharp recovery of global govies from important lower supports (more on that below as well) is another sign that the strong growth which the 'post-pandemic' psychology envisions may be less than assured. While global govies are under some pressure today despite a much weaker than expected US Q3 GDP first look, they have seemed to defuse any surge to higher interest rates on a failure below the recently tested lower support prior to the recent recovery.**

**Courtesy Repeat of Wednesday's 'Funny Old Risk-On Psychology' ALERT!! Overall market activity across asset classes gets back to the cautionary word we provided in our 'Mixed Inflation Indications' ALERT!! a week ago today. That was the repeat of our classical view that *"...it takes three different headwinds to reverse any sustained 'risk-on' psychology in US equities... and that still seems to be the case at present."* While US equities were able to overrun the front month S&P 500 future early September 4,549.50 all-time high on Monday after stalling late last week, the performance of the other asset classes was not at all consistent with renewed strength... hence the 'funny old' risk-on psychology.**

**One of the key headwinds noted last Wednesday was *"...the stubborn resilience of the COVID-19 pandemic, even if there has been some improvement in the under-vaccinated US of late. As noted on Monday, '...new US COVID-19 infections have fallen. Yet that is in the context of extreme levels seen as recently as early September, with the 50% drop being to around 90,000 from a peak of near 180,000. Not really very good yet, and in the further context of new vaccinations remaining comparatively low.'"* New cases are now down to another key level.**

**That is the 65,000-70,000 range we had highlighted from July 2020 and again back in April of this year as the pandemic was waning. Even if it should slip a bit below that, yet stabilize**

at that high level, it will indicate a greater likelihood of another pandemic surge into the Winter. One of the optimists countervailing perspectives is that the recent US approval of 5-11 year-old vaccinations will sharply improve the education environment, and relieve the associated labor market constraints.

This is all part of the current broad assumption that any virus and associated pandemic which has been around for 18 months must surely be on the verge of dissipating into a less impactful form. The degree to which we have heard the phrase 'post-pandemic world' in the past couple of weeks is striking. That is seemingly not in touch with the latest global news. Russian has just launched its most draconian lockdowns, as it spreads again in Eastern Europe as well.

While there has been real improvement in Germany, the UK is seeing its worst surge since July. There are also repeated outbreaks in Asia, which means China is under threat again along with a more extensive spread in New Zealand. All of this is prior to a typical Winter increase in new cases due to higher transmission.

Getting back to that positive assumption about the potential panacea that the US children's vaccine approvals might represent, the problem is going to be parents. Recent polls show 24% will 'definitely not' get their children vaccinated, with an additional 34% indicating a 'wait and see' attitude. This is also consistent with the vaccination rates for 12-18 year olds in the various US regions.

However much anyone might agree or disagree with parents' opinion on the vaccination of their 5-11 year-olds, the idea that only 32% of that age group will be vaccinated anytime soon significantly diminishes the overall positive impact of the children's vaccine approval. That will affect both school attendance, and be a key labor force impact through parental (and teacher) employment choices.

In other words, the highly anticipated return to a 'new normal' that loosely approximates the pre-pandemic global economic situation in a 'post-pandemic' world might be a classical '*triumph of hope over reason*'. In addition to those US exposures despite the progress in children's vaccines, the potential for new COVID-19 quarantines in China (where they are always more draconian) present the prospect of further drags on the already challenging supply chain situation.

Whatever the Chinese renewed pandemic surge response might be, that supply chain problem is going to remain an issue in the US regardless of what some US politicians and administration officials might say. We also reviewed the specifics of that in last Wednesday's ALERT!! To wit, "...*headline efforts to improve the US ports situation are not going to be an 'instant' remedy.*" As one port official who was enthusiastic about Biden administration pressure noted, it is a process, rather than throwing a light switch, especially with other land-based services.

Last, but by no means least, is the overall performance of the Chinese economy, which is now beset by risks and potential drags from a flailing property sector. Even though Evergrande caught up on a recently missed dollar-bond interest payment, there remains real concern over its ability to continue to service its rather massive debt. And as we had previously noted, while some have pointed to how limited an impact Evergrande's overall debt represents in the global or even Chinese debt market, that fails to take into account the overall Chinese sector... much akin to officials talking down the US blended MBS risks back in 2007.

A very good Reuters article this morning (<https://reut.rs/3CnAStU>) extensively reviews the recent meeting between Chinese regulators and financial authorities and the key property developers who are under threat of default. It is most interesting that not just Evergrande but also some other sizable developers have missed major offshore bond interest payments this month. It pointedly notes, *"Some Chinese property developers have proposed extending their offshore bond maturities or undertaking a debt restructuring..."* That's all fine and good, except for the fact it would need to occur with offshore lender participation.

That article noted that the involvement of the Chinese state might make it easier for more solvent developers to renegotiate loan covenants. Yet the article also quotes Alexander Aitken, partner at Herbert Smith Freehills in Hong Kong, on the reality that, *"The extension of maturities in bonds isn't an easy process, especially not if they are widely held. In practice it may be very difficult to do so."*

While not necessarily a risk factor for this week or next, the continuing travails of the Chinese property sector represent a late year risk (read the article on that.) And market tendencies are back to that bifurcated US equities being delinked from the activity elsewhere. Here we are with the December S&P 500 future still out above that early September 4,549.50 previous all-time high, having ranged up nearer to the 'front month' 4,621 major 'swing count' on Tuesday prior to reacting.

However, that extension of the 'risk-on' psychology is not being reflected at all in the other asset classes. After a week of defying overall weak 'rearview mirror' economic releases, non-US dollar foreign exchange is back under pressure. It was the case that the developed currencies never strengthened to a degree that fully reversed the previous US dollar 'haven' bid. In general that was apparent from the only modest US Dollar Index slippage back below the key 93.70 area.

While some of the emerging currencies had strengthened more markedly, their recent activity was a clear sign they were unable to extend a 'risk-on' psychology. That is especially so for the upside leader South African rand that saw USD/ZAR weaken from a high above 15.00 two weeks ago to below the 14.80-.70 area into a retest of its 14.50-.40 support last week. Yet after not dropping back below the 14.80-.70 area on US equities strength earlier this week, it is back above 15.00.

The Mexican peso that had seen a USD/MXN drop from a high in the 20.90 area two weeks ago had also fallen all the way to its 20.25-.20 support (with all of the key weekly MAs just below that area), and has held it so far. This could be the influence of the sustained high energy prices, also benefiting the Russian ruble.

Yet even beyond foreign exchange, there is the significant renewed bid in the global govies, which had recently weakened markedly into lower supports on another yield surge. However, at present the December T-note future is back up from a test of the key 130-00 area to around the 131-00 area. Similarly in the December Bund future, holding last week's multiple tests of the 168.00 area have seen it push up once again to the low end of the failed 170.00-169.50 support.

Even the December Gilt future that struggled to not slip too far below its key 124.00 area support over the past several weeks is back up to 125.76, which is into the previously failed 126.00-125.50 area support. On balance, coordinated global govies strength speaks of weakening economic expectations, which is also consistent with the other currencies losing ground to the US dollar.

As such, the US equities latest surge to a sustained (at least at this point) new all-time high seems another of the 'bifurcated' risk-on psychology phases we have seen so often during their extended bull run. Pending how they and the other markets evolve over the near term, their strength now seems more of a preference for the US over other locales that are developing problems again.

Within the context of a still accommodative central bank psychology (with more to come from the ECB on Thursday), this could hint at the return of a US equities TINA (There Is No Alternative) psychology. That is the only current inference which makes sense with the other currencies weakening against the US dollar. There is also global govies staging such a sharp rebound, which is completely inconsistent with any major near-term international economic improvement.

**Courtesy Repeat of Wednesday's critical consideration**

After the early July downside reaction the recovery back above the 4,300 area violated support left the higher resistance into the previous week's 4,360 DOWN Closing Price Reversal with a Tolerance to 4,364. That is clear on the S&P 500 future weekly chart (<https://bit.ly/3pAKE8A> updated through Friday.) It is of note September S&P 500 future had managed to retest that area right into the ECB press conference prior to weakening again the following Thursday morning.

And the September S&P 500 future subsequently sustaining activity above the 4,425 and 4,450 weekly Oscillator thresholds was a sign of continued strength as they were still rising \$25 per week. As such, the Oscillator indications remained important after what was the 'lackluster jailbreak' after the previous outstanding US Employment report. With the market dropping back below the 4,450 level (on weekly MA-41 up \$25), there seemed to finally be some real risk.

Yet even below the key lower interim levels into the recent 4,425 area congestion and 4,380-65 area bottom of that, it also held key lower support in mid-August looking forward into the following week. That bigger level was 4,340 on weekly MA-13 (loosely held on all sharp reactions) at that time, and the significant aggressive weekly UP Channel from the major 2,174 March 2020 cycle low.

In the event, the recent late week recovery back above the 4,425 area pointed to the strength of the psychological recovery as well as exceeding the key technical resistance areas. That led to the recent new all-time highs above the previous week's 4,476.50 trading high (prior to the temporary selloff.) That again left the near-term Oscillator thresholds into 4,515 and 4,540 areas (on the rising MA-41), which it failed to maintain in early September, fomenting the reaction.

This led to the violation of the 4,492 interim daily chart congestion after trading around it previous, with the more prominent 4,462 area also being violated three weeks ago. And while it subsequently traded back above that as well, recent softening below it spoke of an ability to trend lower in the near term. That left the more major 4,420-10 area as next support on both weekly MA-13 as well as that significant aggressive weekly UP Channel from the major March 2020 low.

Having tested that area into the mid-September Close and violating it from the beginning of the following week was a fresh 4,410 DOWN Break. That fed further weakness which was already anticipated from the negative influence flowing out of China. As usual there is a Tolerance below that (as seen on selloffs in both June and July) down to the 4,350 area lower congestion developed during the temporary July topping activity, and retested on the mid-August sharp temporary reaction to a 4,347.75 trading low. While that may seem to be a



**broad berth, on past form only below the 4,350 area does the market signal a full trend reversal.**

**Yet as always with these matters, the weekly Close was more important than temporary trading weakness below it. And the December S&P 500 future held overall against interim low-4,300 support, and ended the week back above the low 4,400 area. The extent of the temporary selloff means that it needed to be treated as a 4,410 weekly up channel DOWN Break. Yet that also means the Close back above it established it as a Negated DOWN Break, and therefore a support area. That is also consistent with weekly MA-13 moving up to the 4,430 area this week.**

**That said, the 4,348 area had reverted to the key support again of late on renewed pressure. And much like previous, it was temporarily violated early last week. The difference is that the daily 'trend flow' is a bit different, with last week's rally back above the low-4,400 area. Holding above the 4,430 area Tolerance of the 4,400-10 resistance for a weekly Close also above weekly MA-9 and MA-13 in the 4,435-45 area looks more bullish again. It indicates a 'risk-on' sentiment once again.**

**The next higher resistance was at the 4,472 late September trading high from which it previously dropped to the 4,300 area. That being exceeded on last week Monday's Close was a further strong sign, which has not surprisingly led to the December S&P 500 future also pushing above the next minor early-September congestion in the 4,510 area. That only left the early September 4,549.50 front month S&P 500 future all-time high as resistance. Now that it has been exceeded, the 4,621 major 'swing count' is the next key threshold, with the next key weekly Oscillator thresholds up into the 4,645-600 area this week (rising \$30 per week.)**

**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](http://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](mailto: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**