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**Sent:** Thursday, February 20, 2020 9:55 AM  
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Dear Subscribers,

There was some hope from the 'good' Wednesday FOMC meeting minutes (<http://bit.ly/32jc31i>) countered by further 'bad' COVID-19 assessments, and 'ugly' attacks at the Democratic debate that only helped race leader Sanders. And the FOMC minutes being more upbeat than expected on the US economy also held the seeds of why US EQUITIES are not responding better to that and recent quite a bit stronger than expected economic data: the extended COVID-19 impact.

While some had expected more anticipatory COVID-19 accommodation thoughts in the FOMC minutes, there were only passing contingent ideas. In fact, in the wake of the US-China Phase I deal the Fed seems to have less of a commitment to further rate cuts this year than many expected.

Their thought on that is to watch the Chinese and broader Asian economy for signs COVID-19 is a problem, which they allow will be a drag on already weak economies that were bottoming. Yet in that regard the signs are looming large.

Wednesday's excellent Reuters article (<https://reut.rs/3bPyxuZ>) highlights the degree to which it is now shutting down sections of economies outside China. That is due to the highly contagious nature of the virus; more so like influenza than previous coronaviruses like SARS and MERS.

For more on its overall virology, see Tuesday's 'Powell Put?' research note. This means it is spreading faster and into new areas it was hoped could avoid the COVID-19 impact.

We just picked off the current Financial Times 'rolling update' (<http://bit.ly/2uTqHA6>) to illustrate the extent of the problem we had anticipated early on: this is not an individual 'country' issue, yet more so a major global (even if especially Asian so far) economic 'ripple'. The headline at one point was an Apple profit warning, which was followed today by their supplier FOXCONN.

At the end of January we compared the nature of COVID-19 contagion to the 1956 movie 'Invasion of the Body Snatchers' (<http://bit.ly/2SHcKya>), where you didn't know who might be a threat. This is the 'Invasion of the Wuhan Catchers', as the disease spreads in ways and to areas that were not expecting to have a problem.

As opposed to the proactive stance required in the 1956 movie, the result seems to be greater areas and economic activities being subject to extreme quarantine.

The FT rolling update provides a view of continued negative developments. Most striking are the estimates of future impact. A respected Chinese doctor recently noted coronaviruses tend to weaken quite a bit once the weather warms.

He said it would likely lapse into April. Well, as we noted previous, it is a long time from now until April in the context of the COVID-19 virology. In fact, S&P just came out with its estimate that if that is the case, the Chinese economy might slip to annual growth of just 4.4%; that is versus a 6.1% target and previous revisions to 5.9%.

The Democratic Party 'Sin City Showdown' (see Wednesday's research note) was ugly. Given the current farther Left complexion of the party, it was no surprise debate newcomer billionaire Bloomberg was sharply attacked from all sides.

This worked to the advantage of front-runner Sanders, increasing the chance the Democratic presidential candidate will indeed be a Socialist. Unreal, if they expect to defeat Donald Trump. [Once again see James Carville's FT op-ed <http://bit.ly/2Su0vVz>.]

And while US EQUITIES remain mostly bid on positive economic sentiment despite COVID-19 fears, the GLOBAL GOVVIES are also firm on the greater sense of global weakness and lack of inflation potential.

With China so weak the other DEVELOPED CURRENCIES have good reason to weaken against the US DOLLAR, with EMERGING CURRENCIES (outside of the MEXICAN PESO) also succumbing to the weaker international economic outlook. While the virus might be a driver, these moves are more so about the economics at this point, and not merely a temporary 'haven' bid.

## Market Quick Take

(Consolidated Evolutionary Trend View of other markets below)

The FRONT MONTH S&P 500 FUTURE early November push above the weekly topping line (broken red line on weekly chart through last Friday <http://bit.ly/39BCjpW>) set the stage for the extended seasonal rally. This reinforced the importance of the overrun 3,065-70 Oscillator resistance into that weekly topping line, which then held on the early November correction. It then pushed above higher resistances like ultimately 3,205-10 area. That set the stage for the rally extension above the Oscillator range in the 3,295-3,305 area that increased to 3,335-45 this week.

That meant early February was all about whether MARCH S&P 500 FUTURE could overrun the late-January 3,325.00 weekly DOWN Closing Price Reversal (CPR... Tolerance to 3,330.25.) And it did so, even if it slipped back into that area for that weekly Close. This was also important as a key 3,325-35 Oscillator threshold last week, with the next upside area not until 3,380-85 moving to 3,390-95 this week.

This makes the response to the data and especially central bank psychology (a 'Powell Put'?) very important on the recent shift to the 'bad news is good news' psych after some further weak global data. Lower supports are back at interim 3,350, overrun top into 3,325-35, 3,300-3,290 range and again into the mid-3,200s.

Even with US consumer-driven improvement, overall weakness of international data on balance continues despite selective partial improvement. While not apparent yet, this will certainly be further impacted by the Wuhan Virus supply chain disruptions out of China.

This has been reinforced by central banks' perspective, including especially the ECB, with more telling perspective from Mario Draghi's last press conference (<http://bit.ly/2Nda1lI>) and even Christine Lagarde's warning on the need for further structural reform at her first press conference as ECB President (<http://bit.ly/2LNrSpQ>.)

While the Fed is more balanced, it is also concerned about global weakness despite current US strength, as evidenced by the recent rate cut.

As previously noted for months, this was also consistent with serial downbeat OECD indications on a weaker global outlook. We saw more of the same in the December OECD Composite Leading Indicators (<http://bit.ly/2RA16VO>.) Even after those were reversed to some degree by the January release (<http://bit.ly/2tbMfa0>), the February indications (<http://bit.ly/2OXkpX1>) are that growth remains below trend and is now threatened by the commercial impact of the rapidly spreading Wuhan Virus.

This will foster a more critical focus on their next Economic Outlook after the still weak November update (<http://bit.ly/2D5BvLK>.)

Add to that the last World Bank downgrade of the global growth outlook (see Reuters <https://reut.rs/2tLi0GP>.) It is no surprise that this is still on slow international trade considerations, even if the Bank says corporate confidence and investment may improve marginally and may be near the bottom.

Yet of note are the lower growth prospects for China despite the US-China Phase I deal. As we have noted previous, the trade 'truce' (i.e. NOT a full peace treaty) avoiding tariff escalation still leaves the earlier economic activity-stifling tariffs in place.

Future economic weakness expectations have also been reinforced in the relatively recent indications outside of the mixed global Manufacturing PMIs. Those include more comprehensive global data, like late-November's OECD G20 International Merchandise Trade Statistics (<http://bit.ly/2rvPCaK>.) While all of that may improve to some degree, informed observers are cautious due to the levels of the tariffs that remain despite recent reductions announcements; and that was also prior to the Wuhan Virus impact.

**Evolutionary Trend View (consolidated from lengthier previous versions)**

The SEPTEMBER BUND FUTURE extreme extension above the 176.00 area Oscillator resistance was last seen in mid-2011 (weekly MA-41 11.75), and rallied into the 179.80 area into late August. Yet the subsequent sharp downside reaction to the potential less damaging Brexit situation saw drop back to the 178.00 area. While the commensurate DECEMBER BUND FUTURE drop to the 175.00 area looked bad, that was just the beginning of a failure back below 175.00 area weekly MA-13, and the 174.00-173.50 area key previous recent congestion and Oscillator support.

Also note the major weekly chart (<http://bit.ly/38xe8ZR> now updated to reflect the February 14th weekly Close) September drop was actually a dislocation on the major December contract discount; and it also left it closer to the aggressive up channel support. That saw a 173.25 DOWN Break into mid-September, also violating July congestion from during the rally. That was then very important as future resistance, with next key support into the 171.50-.00 congestion which held for several weeks prior to being overrun in early November. That was also the previous June UP Acceleration out of the channel from the October 2018 157.33 low.

It is of note that this key FRONT MONTH BUND FUTURE congestion at 171.50-.00 from the pause in the rally on the way up during June and July was violated during the same week the more major trend support into the 170.50-.00 area was violated (see the dashed blue line major up channel support from the 156.22 March 2018 trading low on that weekly chart.)

That left a fresh 170.50 DOWN Break just as weekly MA-41 rose to 170.35 that week. This appeared really weak, as the next support is the longer-term congestion from the

Summer 2018 168.86 previous all-time high, yet far more pronounced into the heavy 168.00-167.50 congestion range established after that high was set (see the chart.)

However, the significant mid-November rally put it back above 170.50-.00. And in this case 'significant' is not just in terms of the rally's magnitude, but also in the degree to which the DECEMBER BUND FUTURE seemed to be Negating that recent major 170.50 DOWN Break and recovering back above weekly MA-41 in the same area.

Yet that was once again in play after recent selloffs. As it has Negated that DOWN Break, the overall tendency still seems to favor a return to sustained stronger tendencies. This would also indicate sustained global economic weakness.

Even though the 2.00 March contract premium left the MARCH BUND FUTURE in a stronger technical trend position, the US-China deal announcement left it temporarily back below 171.80-.70 Tolerance of the 172.00 area support on multiple dips.

As noted previous, the next major lower level was again the Negated early November 170.50 major weekly channel DOWN Break apparent on the weekly chart (<http://bit.ly/38xe8ZR> now updated to reflect the February 14th weekly Close) with a Tolerance to the 170.00 'big penny'. The holiday period weakness left that retested, and it remains critical for the overall trend. And if it needed any reinforcement, note that on the recent 'haven' rally the MARCH BUND FUTURE failed right up near the still important 173.25 area, as it also did back in early December.

That said, after the subsequent sharp selloff it recovered on recent soft inflation data, even back above the top of the 171.50-.00 range. 173.25 area remained the more major resistance it has also now surged above, with higher interim resistance at 174.00 but the major resistance not until that 175.00 area failed support. And note how despite the US EQUITIES strength it has not aggressively retested the overrun 173.25 resistance (now support.)

The SEPTEMBER T-NOTE FUTURE was testing the 127-16/128-00 area prior to the July US Employment report-driven downside reaction. Yet it held very well without violating the 127-00 congestion. However, its relative weakness within the bull trend was highlighted by its inability to overrun that congestion while the BUND and GILT pushed up more aggressively.

Also note the 127-31 early-July weekly DOWN Closing Price Reversal (CPR) as further reinforcement for its near-term resistance back then with a 128-08 Tolerance.

Yet Trump's early-August Chinese tariffs announcement also drove more extensive T-NOTE strength above that resistance. Also obvious are the extended congestion resistances were into 129-16 it pushed above and held during the early August reaction.

The higher historic congestion in the 131-00 area was exceeded on the rally prior to slippage back below.

However, much as with the previous expiration of the SEPTEMBER BUND FUTURE, the more recent SEPTEMBER T-NOTE FUTURE expiration was a critical test. The DECEMBER T-NOTE FUTURE was trading at a bit more than a half point premium, and was up into the significant 130-00/129-16 congestion.

Its ability to push back above that area seemed well-calibrated with the significant decision in the BUND. Also note that the less aggressive T-NOTE up channel trend support on the weekly chart (<http://bit.ly/2UVhstC> updated through last Friday's Close) also left broader support into prominent low 128-00 area historic and recent congestion that was not even tested prior to the previous rally resumption. Yet that only saw it rally right into the 130-00/129-16 area in early December prior to coming back under pressure.

Of note, that area was the early November fresh DOWN Break prior to the temporary recovery that retested it. And it was no surprise that the still stronger US economic data had left DECEMBER T-NOTE FUTURE not able to push above that 130-00/129-16 area despite the strength of the EUROPEAN GOVVIES.

However, the strengthening of US EQUITIES had not left it weakening too much from that area; only barely into the top of the lower 128-00/127-16 support repeatedly since mid-December, also tested in early September and early November. And while the 'haven' test of the 130-00 area failed again earlier this month (also as in early December just like the BUND FUTURE), the COVID-19 impact has seen it surge above it into the interim 131-00 area with 132-00 the far more major congestion.

Much like more resilient activity in previous weak sister T-NOTE, the FRONT MONTH GILT FUTURE was only a bit back below 132.50-133.00 in October after failing from the 135.00 area. That seemed to point to a retest of the 131.00-.50 area (previously tested and held by the December contract in mid-September.) And while still holding the low end of that area into late October, we had noted that the tendencies in the other GLOBAL GOVVIES should continue to exert pressure.

That indeed dropped it below that area in early November. Yet much like the BUND rallying back above resistance and then dropping again, the GILT was then back into that 131.00-.50 area. While not as critical as the DECEMBER BUND FUTURE overrunning the 170.00-.50 range, next resistance is into 132.50-133.00. Even though there was no sustained weakness below its 131.50-.00 congestion on previous selloffs, it finally slipped below it temporarily on the early December Conservatives election victory prior to recovering

Next lower support was the 130.00 area with the 132.50-133.00 range remaining the key higher resistance that has now been exceeded for a new multi-month high. Next

resistance was back up into the interim 134.00 area that had been exceeded on the recent surge and more major 135.00-.24 area. Next resistance above that is not until upper-135.00 area even if it has slipped back down into the 134.00 area at present.

In FOREIGN EXCHANGE conditions remain relatively subdued after the firmer US economic data had assisted the US DOLLAR INDEX last summer in finally fully overrunning the mid-upper 97.00 resistance. That inspired the push above the April-May 98.37 area trading highs which occurred in early August prior to lapsing back into near-term weakness.

Next resistances were the interim 99.00 area, yet with the more prominent area not until 100.00 'big penny' historic congestion. In any event, recently strengthening again after a selloff saw it above lower support in the interim 96.50-.00 range on the continued weaker global data outside of the US. That set the stage for the continued strength despite the FOMC's previous modest easing. After holding those lower supports, weaker Chinese and European data had it back up into the 98.00 area with 98.37 remaining the key near-term resistance area.

Slippage back below 98.37-.00 on likely UK Brexit success and better global growth prospects is not a surprise. That had opened the door to a retest of the 96.50-.00 range support missed back in October yet tested subsequently on the better global economic sentiment. Yet the recent better US data and the COVID-19 flight to safety has left it pushing above the 98.37-.00 area once again with the key higher resistance again not until the historic 99.50-100.00 area.

While EUR/USD was well back above 1.1400 into early February (and even very temporarily above the 1.1500 area), it had dropped back below the 1.1400 area on the increasingly nervous Brexit implications and generally weak European data. That left it into the top of the 1.1250-00 area 20-month trading lows in mid-February. While it recovered closer to 1.1400 again into mid-March, stalling there had left it under pressure again into the low end of 1.1250-00 area.

GREENBACK weakness had assisted it in swinging well back above 1.1200, and it is no surprise it had extended that rally back up into the 1.1400 area on the previous dovish FOMC influence.

However, subsequent weak European data fomented concerns over ECB accommodation that left it back below 1.1200 once again, and churning around the 1.1100 area trading lows prior to bouncing from near the 1.1000-1.0950 area with 1.0800 below.

While the recovery into early August had it churning in 1.1200 area, it was back below the 1.1100 area and had failed the attempt to hold the 1.1000-1.0950 area prior to rallying back above the high end of it and 1.1100 on the recent more upbeat Brexit developments. That said, 1.1200-50 remains the more major resistance above the market, and it dropped

back below the 1.1100 area into the more major 1.1000-1.0950 range prior to the recent push back above into the 1.1250-00 area higher resistance that stopped the rally once again and has left it back down below the 1.1100 area and even the 1.1000-1.0950 area at present. That left next support into last September's now violated 1.0878 trading low. Below that is the low-1.08 historic congestion now being tested, and not again until the 1.0600 to mid-1.0500 area and even 1.0500 both last seen in early 2007.

The rapidly evolving UK government situation and a bit of the hopeful global developments had brought a GBP/USD rally back above 1.2150-00 (stronger than the EURO) and the minor 1.2360 area. As noted previous, back above the low end of the 1.2800-1.3000 range opened the door to a test of the high end seen previous; or even higher levels on further Brexit deal progress. And indeed it surged on the Conservative election success back above 1.3000 and even 1.3200 and the 1.3300 area for a temporary test of low end of the 1.3500-1.3600 range prior to dropping back down on more problematic developments.

Even the previous drop back below the 1.3000 area left it into support (weekly MA-9 & MA-13 as well), and it still seemed to have some upside momentum on the push back up toward 1.3200 even if it has recently slipped back slightly below the 1.3000 area again on weak data and the 'haven' US DOLLAR bid. That leaves the low end of the 1.3000-1.2800 range important once again.

And despite US and Chinese changeability, the previous hints of US-China rapprochement encouraged AUD/USD to squeeze back above its historic .7200-50 area (also weekly MA-9 & MA-13.) However, that same negative early-December Trump 'Tariffs Man' tweet that hit US EQUITIES on the lower chances for US-China trade rapprochement also dropped AUD/USD back from a hopeful early-December test of the .7300-50 area to back below .7200-50. It subsequently dropped below more major .7000 area congestion.

This was not a surprise on previous Chinese economic weakness and still somewhat problematic US-China relations despite the ostensible G20 'breakthrough'. While late-January secular US DOLLAR weakness had it recovering modestly above .7200-50, it subsequently dropped back below it toward the .7000 area in mid-May.

Minor squeezes temporarily pushed it back above the .7000 area prior to slipping more definitively below it in late July.

Next lower major support is the .6825 area early-2016 10-year trading lows it also slipped below around the same time. The next temporary squeeze above it into early September also failed.

That is important after it slipped nearer to next interim support at .6690-77 that it is now revisiting on weak Chinese economic concerns. The .6500 and .6250 areas are next supports this side of the .6000 area October 2008 16-year trading low.



**While EMERGING CURRENCIES are still more country-specific trends, previous US DOLLAR weakness into early this year was assisting them. That was partially on central bank accommodation creating more extensive economic hope, reinforced by the signing of the US-China Phase I agreement. Yet the COVID-19 impact has them under pressure again, even if 'country' factors are also key.**

**The MEXICAN PESO weakened on the USD/MXN push back above 19.20 and was trading back near its 19.50-.60 congestion in early December prior to slipping back below the 19.20 area. That was likely based on the vagaries of progress in the US House on the USMCA trade deal (already approved by Canada and Mexico and having passed the US Senate), impacted by its impeachment obsession.**

**And its approval finally coming through has seen USD/MXN weakness back below 19.20 and the 19.00 area on the improved outlook, with the next lower support into April's 18.75 area congestion and 14-month low it slipped below recently prior to COVID-19 concerns pushing it back up into a test of the 19.00 area prior to recent weakness back below the 19.75 area.**

**Recently slippage below that area has left it testing 18.50-.40 again, right into the August 2018 22-month low. Much below that is the 17.94 April 2018 to-and-a-half year low.**

**USD/ZAR saw GREENBACK strength push it back up toward the 15.50 area into early October prior to the drop back below 15.00 to test 14.70 and even sag near 14.50. That had interim support area around 15.20 that was retested on the sharp bounce from near 14.50.**

**Slipping back once again from 15.00 left next interim support back into the 14.70 area it slipped below again in late November as well as the 14.50-.40 area overrun in mid-December. That led to a rapid selloff to the next lower interim support in the 14.15 area that has also been violated in recent trading. The next major congestion in the 13.90-.80 range (including July's 9-month trading low) was also violated temporarily on the recent selloff prior to the sharp bounce back above 14.20 to the recent retest of the 14.40-.50 area congestion, reinforced as resistance by significant weekly MAs slightly above that range.**

**Yet the COVID-19 factor has seen it push back above the 14.70 area once again all the way to a rapid test of 15.00. While backing off temporarily below 14.70 again, it is was recently pushing back up above 15.00 with only minor dips along the way. That leaves interim resistance into the 15.20 area, yet with the major resistance not until 15.40-.50 once again.**

**USD/RUB was a clear outlier on the previous EMERGING CURRENCIES return to weakness, yet has been under pressure again on the COVID-19 implications for possible economic weakness fostering lower CRUDE OIL prices. USD/RUB had reacted back down last**

summer's test of the 67.00 area, and ultimately failed back below 65.00 as well. Previous Crude Oil weakness had assisted USD/RUB recover back above 64.00 and 65.00 temporarily prior to slipping back below that range since last Fall.

Lower support in the mid-63.00 area was violated into mid-December. That had seen it weaken into the more major supports in the 62.00 area and especially the 61.00 area on previously higher CRUDE OIL prices and the slightly improved global outlook. Yet the COVID-19 factor along with much weaker Crude Oil prices has it back up above the 62.00 area and even the mid-63.00 area once again, with next resistance into that 65.00 area.

In the meantime, previous weakness in the TURKISH LIRA had USD/TRY above the 5.50-5.60 area in April. Sustaining activity above the 5.50 and 5.6230 resistances in late April had seen it rally above the 5.90-6.00 range congestion from summer 2018.

This was once again very important, as extended resistance was not until the 6.35-6.40 range last seen during the beginning of the TURKISH LIRA upturn (USD/TRY extended selloff) in September 2018. As such, the late-May USD/TRY drop back below 6.00-5.90 area was a major LIRA improvement.

Next lower supports (LIRA resistance) were 5.65-.60 (January high and weekly MA-41) tested into early June and barely violated into early July prior to Closing near the low end of the range, and the heftier congestion in the 5.50-5.45 area.

Yet it held that key area, and was back above the 5.65-.60 range again last August, and the early July 5.7871 high from after the central bank governor dismissal. Key resistance at 5.90-5.93 has been exceeded again. While recent narrow ranges seemed to speak of government intervention, USD/TRY has now even strengthened above the 6.00 area that seems to point to a potential retest of interim 6.15 or even the May 2019 crisis 6.25 area 16-month trading high.

While still obviously less relevant (as we have been noting for some time and is most glaringly apparent again at present) on the standard report releases in the midst of more major global trade and political cross currents, the Weekly Report & Event Calendar (accessible for Sterling and higher level subscribers) is available via the [www.rohr-blog.com](http://www.rohr-blog.com) sidebar.

The first item was of course that both US and Canadian markets were all closed Monday for their respective national holidays (Presidents' Day and Family Day, respectively.) That said, there was still quite a bit of important Asian economic data. Speaking of Asia, the spread of China's COVID-19 virus continues. Even if there are tentative signs of slowing fresh infections there, the overall path of the virus is likely to have additional commercial impacts.

Yet the markets seem less influenced by that in the wake of central banks' signals that they are prepared to provide stimulus to offset any effects. This is something we will be

monitoring closely for whether it remains an effective buffer against the broader COVID-19 impact, like global supply chain disruption (as revisited again in today's extensive initial analysis.)

While there are only limited scheduled central bank influences this week, there are important sentiment indicators for the first time since the COVID-19 outbreak began. The most interesting come at the end of the week in the form of Friday's first global Advance PMI readings since the virus became a prominent factor in January. That comes in the context of some still important regular economic data throughout the week, with stronger-than-expected indications in the US.

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