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Dear Subscribers,

We are coming to you quite a bit later than usual due to a huge amount of data and reports at the top of this week as well as the US electoral permutations into tomorrow's Democratic Party 'Super Tuesday' collection of primaries. Yet in that context we feel you'll want that diverse overview prior to market assessments.

As reviewed in Friday's 'COVID-19 Crack!' research note, US EQUITIES have violated the intermediate-term support that might have led to a timely recovery. Of course, that psychology also speaks of the further pressure on EMERGING CURRENCIES as well as the GLOBAL GOVVIES bid.

No surprises after we had already noted the 'Intermarket Reinforcement' back on Friday the 21st. Yet the US EQUITIES are stabilizing nearer to broader lower supports. Even the explosive rally in GLOBAL GOVVIES is leaving them near extended resistances (more on all that below.)

What we know is that the COVID-19 situation is dire enough to encourage the OECD (Organization for Economic Cooperation and Development) to issue an Interim Economic Assessment prior to the normal update cycle. And its title speaks volumes: "Coronavirus: The world economy at risk" (<http://bit.ly/3cqTKeY>.)

Yet this is only confirming the sharp warnings on especially Asian and also global economic growth reductions that have already been announced by others.

This morning's global Manufacturing PMIs became more relevant again as the first readings since the COVID-19 outbreak became a more prominent factor. And in fact they were almost shockingly stable (admittedly at negative levels in Asia and Europe) in light of the anticipated pressure on business.

Were purchasing managers too sanguine as the COVID-19 news spread last month? Or are the virus' predations yet to catch up with their psychology?

Beyond all of that, the US Democratic Party nomination process South Carolina primary on Saturday seemed to blunt Socialist Bernie Sanders' momentum toward being the party's nominee for president in November. The major victory for former VP Biden was heartening to the moderates. Yet tomorrow is the 'Super Tuesday' group of state elections that will decide another 34% of total delegates.

Former South Bend, Indiana Mayor Pete Buttigieg dropping out enhances Biden's chances of garnering more 'moderate' votes. The actual result is going to be very critical for whether Sanders can actually accumulate a majority to become the clear candidate in the fall.

Yet especially if Biden fares well, there will be the challenges to Sanders that the party moderates are hoping for. We shall see.

While a side show compared to the more immediate COVID-19 impact on current and anticipated economic activity, it is important. The prospect of a Socialist head of the US is a negative for the economy and the markets.

That Sanders might head the Dems 2020 ticket is a point of major uncertainty, even if many believe there is no chance he can defeat Donald Trump; whereas Joe Biden might.

Yet that uncertainty contributes to the sense of the old adage, "*The market (which is to say the equities) dislikes nothing quite so much as uncertainty.*" As such, the potential for Sanders to be the presumed nominee on top of the clear COVID-19 problems and substantial unknowns creates an 'uncertainty squared' situation.

Market Quick Take

The COVID-19 virus spread has caused the US EQUITIES intermediate-term bull psychology to 'crack'. Yet does this signal a 'breakdown' into a bear trend? Not necessarily. As bad as US EQUITIES look on the violation of the key congestion around the mid-2019 highs (highlighted in Thursday's 'Crunch Time' research note), the 'broad' trend support based on longer term channel projections and lower historic congestion remains at somewhat nearby (considering volatility) support.

That lower US EQUITIES support includes the longer-term channel on the weekly chart (updated through last Friday <http://bit.ly/39k6X7q>.) That said, we cannot dismiss the importance of the MARCH S&P 500 FUTURE violating the support from the 2019 congestion and push above the multi-year topping line at 3,070, the 3,030-00 previous all-time high congestion, and now the 2,970 DOWN Break below the overall up channel from the 2,313 late 2018 trading low.

So in addition to the FRONT MONTH S&P 500 FUTURE being back down in that very significant 2017-2019 trading range, the lower congestion is also not until lower ground. That is initially the interim 2,850 area followed by the more prominent 2,750 area we had already noted. However, as this looks like a reversion to a full trend correction, there is every reason to believe the broader up trend support might be tested: that is 2,600 area into the mid-low 2,500 early 2018 congestion.

Even with US consumer-driven improvement, overall weakness of international data on balance continues despite selective previous partial improvement. Despite some recent strong US data, that has shown up again of late. Note the first global Advance Manufacturing PMIs since COVID-19 became an issue back in January. Outside of some improvement in the previously very weak Europe, they have weakened along with some other soft data. This is as expected in the wake of the COVID-19 supply chain disruptions, and is likely to continue.

This has been reinforced by central banks' perspective even prior to them understanding the extent of the COVID-19 impact. That includes especially the ECB, with more telling perspective from Mario Draghi's last press conference (<http://bit.ly/2Nda1ll>) 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 its rate cut and current discussion of being prepared to do what is necessary if the COVID-19 impact spreads to the US.

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>.) All of which has been reinforced in a major way by their 'out of normal cycle' (typically not until May) March 2nd Interim Economic Assessment "Coronavirus: The world economy at risk" (<http://bit.ly/3cqTKeY>.)

Add to that recent further World Bank downgrades of the global growth outlook. It is no surprise that on top of still slow international trade considerations, the Bank says corporate confidence and investment that may have been near the bottom will now suffer.

Of special note in each case 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 once the COVID-19 threat passes, informed observers were still cautious in any event due to the levels of the tariffs that remain despite recent reductions announcements prior to the COVID-19 impact.

Evolutionary Trend View

Moving on now to a very concise critical market assessment (with more again after the US Democratic primaries 'Super Tuesday' results) in the wake of the US EQUITIES drop below intermediate term support. As pointed out late last week, that likely means more GLOBAL GOVVIES strength, as we are seeing this morning despite the US EQUITIES bounce.

The MARCH T-NOTE FUTURE surging into a new all-time high last week above the 134-00/-08 summer 2016 previous high is thoroughly understandable (see the weekly chart through last Friday <http://bit.ly/38ckQU5>.) So, what next? Well, based on its historic weekly Oscillator activity we suspect it can extend its rally into the 135-16/136-00 area (MA-41 plus 06-00/-16) this week, which has already passingly occurred.

Similarly, the previous strong sister BUND FUTURE had seen the MARCH CONTRACT rally back to fully test and exceed its 177.00-.50 resistance from last summer (weekly chart <http://bit.ly/2TxQJB0>.) Much above that next resistance is not until 178.50 congestion from back then it has now neared, with a DOWN CPR at 179.20 (Tolerance at 179.67 all-time high) above.

Yet there is a twist here on the typical very early expiration of the MARCH CONTRACT this Friday. With the JUND BUND FUTURE trading almost 3.00 lower, it might drop back into or below the 175.60-.00 area. That would mean it will need to 'reprove' itself back above that area into next week, or possibly drop to lower supports. We shall see.

And EMERGING CURRENCIES remain under pressure, as the SA RAND has seen USD/ZAR overrun 15.40-.50 into testing the 15.69 September 2018 high with the 16.00 congestion above.

The RUSSIAN RUBLE had seen USD/RUB push above 66.50-67.00 on weak Crude Oil as well (economic weakness driven) prior to dropping back today on the EQUITIES and CRUDE OIL recovery. Yet the bigger resistance is still not until 69.00-70.00. Even the previously more resilient MEXICAN PESO has seen USD/MXN surge through 19.50-.60 on its way to testing the interim 19.95 area prior to slipping back, yet with 20.25 above.

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 sidebar.

As we have been noting for some time in our research notes, regularly scheduled releases are obviously less relevant in the face of 'macro' factors; and especially (as our anticipatory views had highlighted) the highly pernicious impact of the COVID-19 virus.

That said, there are still some very important economic releases in this typically very full beginning of the month week. Even if they will only act as a backdrop for the future COVID-19 impact, they will still be important.

There will be the typical strong start with the global Manufacturing PMI's today followed by Wednesday's global Services PMIs, and all culminating in the US and Canadian employment indications. Yet along the way there are many other important economic releases and salient influences. Those include the US 'Super Tuesday' Democratic Primary polls, a couple of central bank decisions, Wednesday's Fed Beige Book into Thursday's opening of an OPEC meeting under very trying circumstances, and quite a bit of important European data as well.

And due to the vagaries of the COVID-19 volatility we maintain our recent classic advice: Keep those seat belts firmly fastened... we hope you had them on since the top of last week.

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