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ROHR-BLOG: 'Super Joe', COVID Hope, Fed Joke, Quick Take, Calendar

1 message

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Due to a problem with the ROHR ALERT!! post, we have substituted the same information from an abridged version the Rohr-Blog research note.

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ROHR

Dear Subscribers,

As the title implies, there is an awful lot to unpack. That includes US Democratic Party 'Super Tuesday' results, interesting further projections on the COVID-19 virus and the FOMC emergency 50 basis point rate cut.

To begin, the FOMC rate cut may have been the most practically silly yet psychologically necessary rate cut ever. The brief statement (http://bit.ly/3cuuRPM) reiterated US economic strength, and made only a single mention of coronavirus. Chair Powell admitted at his press conference (http://bit.ly/39z9Ote) that the Fed is NOT the answer.

And the market response was anything but encouraging on the MARCH S&P 500 FUTURE squeezing well above 3,100 on the FOMC cut only to slide all the way back to the 3,000 area by Tuesday's Close… "buy the rumor, sell the fact" indeed.

That was at least in part likely due to continued concerns over the Democratic Party 'Super Tuesday' potential for Socialist Bernie Sanders to develop a commanding lead in the race to be their presidential candidate. Moderates were very scared.

Well, against the odds (or at least the 'received wisdom' from the polls), 'Super Joe' Biden surged to another big victory after his major South Carolina win on

Saturday. While pre-election polling had Biden at risk (http://bit.ly/32QYDcQ with thanks to Statista), he took nine of fourteen states.

That includes major second prize Texas (after California which Sanders won) along with a lead of 385 to 325 delegates in the race for a 1,991 majority. See today’s Reuters article (https://reut.rs/3cnr7PU) for more details.

Yet the important bottom line for US EQUITIES is the blunting of the potential for a Socialist to be the Democratic Party candidate, and possibly President. This has reduced a bit of the ‘Uncertainty Squared’ (Bernie and COVID-19) threat noted in Monday’s research note.

And what of COVID-19? The news on continued ‘community’ (i.e. not related to foreign travel) spread in the US is troubling. This is likely part of the reason for Tuesday's FOMC cut. Yet other indications are maybe hopeful.

We are referring to the extremely troubling COVID-19 spread first in China, and then to the rest of the world (http://bit.ly/2IhwC4K as of Monday.) Of course, the associated major economic disruption spilled over into the markets.

Yet there is now further insight from the Chinese developments (http://bit.ly/2uXOM8U) in the most hard hit country: The recovery rates are impressive despite the tragedy of the deaths among the most vulnerable populations. With over 50% recovered and 40% still in progress, this is looking more so like a particularly bad flu.

And even as far as the strikingly high 3.50% (+/-) mortality rate (based on 2,912 Chinese deaths) is concerned, it is possible that is significantly overstated. A report from Dr. Anthony Fauci and colleagues based on latest Chinese studies notes, “*If one assumes the number of asymptomatic or minimally symptomatic cases is several times as high as the number of reported cases, the case fatality rate may be considerably less than 1%*."

This seems reasonable in light of how many folks likely have the virus, yet have had only minimal (or no) symptoms. If the recovery rates are further confirmed and mortality rates for those outside of ‘at risk’ populations are significantly reduced, it will be possible to step back from the most troubling economic and market expectations.

So despite the likelihood some further bad news might affect US EQUITIES, there is a case for remaining in a bull trend within broad parameters noted previous. That is to say even though the MARCH S&P 500 FUTURE might

weaken back below 3,030-00 again, holding into no worse than 2,600-2,500 still respects long-term technical support (more below.)

Similarly for the now FOMC rate cut-driven GLOBAL GOVVIES, their push up into extended resistance or historic weekly Oscillator thresholds (in the case of the US T-note) might be over soon. It is also of note that EMERGING CURRENCIES were getting a bid back despite the US EQUITIES selloff late Tuesday, and especially now on the US EQUITIES recovery. While some very volatile swings are still possible (in fact likely), we suggest watching the selloffs in US EQUITIES for further indications.

Market Quick Take

The COVID-19 virus spread had 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.

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