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Dear Subscribers,

Back in prehistoric times (literally before electronic quote screens) when we were runners on the old-old Chicago Mercantile Exchange trading floor, the place to learn about volatility was the dear departed Pork Belly futures pit.

When the 'Bellies' were in very active market phases they were known for extreme intraday and day-to-day price swings. Depending on the news flow at the time, multiple limit up or limit down (1.50¢/lb.) moves were a regular occurrence.

The exchange floor was also populated with no small number of aggressive traders who were also capable of wit and wisdom. During one of those very active phases there were a couple of 'newbie' exchange members observing from the side of the Belly pit as the market raced up and down. One of the more successful and sarcastic CME trading legends stepped out of the pit to update his trading cards (yes… recording trades manually) to turn into the clearing house.

Noticing the awed expressions and somewhat scared look in the eyes of the newbies (who were surely aware of the sizable sums that were rapidly changing hands), he quipped, "*This is fun fellas… C'mon in and ride the whip*."

Rather than just a random reminiscence and obscure history lesson, there are a couple of points for the current markets. The early volatile market analysis prior to the existence of any financial futures at all turned out to be extremely useful training. That was first for the foreign exchange futures and then especially once the US debt futures began trading.

Consider the US Treasury-bond previously unheard-of volatility from the late 1970s through the 1980s. The reason that the Bellies (the agricultural term for what was processed into bacon or rashers) were so volatile is that they are basically half a pound of fat. During the initial unrestrained ballooning of US deficits during the Carter administration, this was a great metaphor for how the US debt market was viewed by global participants.

While this two-way volatility was never supposed to be the case for the US EQUITIES, it is certainly here now. As noted in Monday's 'Uncertainty Squared' research note, there was the combined influence of the economic threat from Senator Sanders ascendancy along with the continued spread of the COVID-19 virus even into still positive US economic news.

Now how do you price the general levels of US EQUITIES? Well, they are now also therefore sort of like a half a pound of fat. There's the meat (economic performance) that might still have some real value, yet also the fat (COVID-19 exposure and Sanders) that might diminish it.

The emergency FOMC rate cut Tuesday morning drove optimism, yet the continued Sanders risk scared the market into a significant selloff. That being blunted by Joe Biden's 'Super Tuesday' success led to Wednesday's euphoric rally, only to be savaged again by the growing realization that the COVID-19 virus was spreading rapidly in the United States.

And so the short-term impacts can be decisive enough in a volatile market to create the recent hyperactive price swings that have confounded quite a few observers. The other lesson is the importance of a technical trend analysis that fits in with the 'macro' factors (like our Evolutionary Trend View.)

Rather than just beating our own drum, recent market activity (even over the past several months) highlights the necessity of understanding the critical technical trend junctures. In

the MARCH S&P 500 FUTURE for example, the recent massive plunge below 3,030-00 held into the obvious 2,850 interim historic congestion.

And while there was a rebound back above 3,030-00 and even the 3,070 area, we had noted the importance of sustaining activity above 3,100 if it was going to turn the trend back up in the near-term. Otherwise it was going to be capable of swinging back down to test or even sink below 3,030-00 once again; as occurred on the deflation of the FOMC rate cut enthusiasm on Tuesday.

While there is an interim congestion area around 3,050, we suspect further swings between the 3,100 area and 3,000 area or lower are likely to continue on the 'half a pound of fat' psychology: Democratic primaries versus continued spread of the COVID-19 outbreak in the US. We will be back with more on the political and epidemiological fronts to wrap up the week after Friday's US and Canadian employment reports.

Courtesy Repeat of Wednesday's 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.

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/2Nda1II**) 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 occurred. Sustained activity above that zone would point to the next Oscillator resistance into the 137-16/138-00 area (MA-41 plus 08-00/-16)**

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 JUNE BUND FUTURE trading almost 3.00 lower, it might drop back into or below the 175.60-.00 area (where it is indeed trading at present.) That would mean it will need to 'reprove' itself back above that area into next week, or possibly drop to lower supports.

And EMERGING CURRENCIES that had been under pressure are now recovering to some degree. 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. Yet it is now back down below 15.40-.50 with next support back into the 15.20 and 15.00 (now reinforced by a gap higher from last week's opening) areas.

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 on short-term EQUITIES and CRUDE OIL recovery. The bigger resistance is still not until 69.00-70.00, and lower support remains 65.00.

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, with 20.25 above. Yet here as well it is back below 19.50-.60 with lower support remaining into the already retested 19.20 area and the more prominent 19.00-18.95 below.

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 was the typical strong start on the global Manufacturing PMI's Monday followed by today's global Services PMIs, and all culminating in Friday's US and Canadian employment indications. Yet along the way there were many other important economic releases and salient influences.

Those included the US 'Super Tuesday' Democratic Primary polls, a couple of central bank decisions, this afternoon'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.

The Rohr-Blog Research Team

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