

Alan Rohrbach

From: ROHR-BLOG <ar.rohr.intl@gmail.com@vrmailer3.com>
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Dear Subscribers,

Just as we noted, *"You can't say we didn't warn you"* back on February 25th ('COVID-19 Plop' Alert!!), the extended US EQUITIES selloff after last week's rally failures is a 'natural development'... even if highly pressurized.

We are later than usual with so many influences to unpack and extreme markets movements. Due to that latter factor we are also providing an Evolutionary Trend View based only on the US EQUITIES today, with the full update to follow after today's Close.

That will include an updated S&P 500 FUTURE chart along with the necessary T-NOTE and BUND chart updates after today's radical swings. That said, the updated S&P 500 FUTURE chart below and the courtesy repeat of Friday's analysis is still good context prior to the full update after today's US Close.

Since the beginning of last week (*"Uncertainty Squared' into Super Tuesday"* research note) we had noted the S&P 500 FUTURE 2,850 and 2,750 congestion area supports, and warned, *"...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."* (More below.)

That is looking more likely across time. Yet we cannot ignore the degree to which markets that include the other asset classes at this point find 'reasons' to extend price moves once the overall trends become obvious.

And in that regard we also revisit Murphy's Law and our favorite corollary: "*Anything that can go wrong will go wrong...*" and the main extension that posits, "*...at the worst possible time.*"

That was on the still "known unknown" nature of the COVID-19 outbreak back in the beginning on January 21st. In addition to the continued spread of COVID-19 in Europe (especially on the major northern Italy quarantine), there is 'community' contagion in the US for a far more extensive spread. That the government outside of real health professionals (especially Mr. Trump) seems in denial doesn't help.

Yet there are also other, exogenous to COVID-19, impacts intensifying already negative market tendencies. The primary one this morning is in Crude Oil that had already been suffering under weaker demand due to the COVID-19 driven softer economic assumptions.

Last week's failed OPEC meeting did not curtail production accordingly, and over the weekend Saudi Prince Mohammad bin Salman flipped-off Russian President Putin after his demand for a production allocation share that the Saudi's felt was wholly inappropriate.

Hence one of the largest Crude Oil price drops on record leading to a massive energy sector selloff this morning. That significantly amplifies the already major negative COVID-19 influence.

The silver lining once the virus mitigation (which health experts say is now the current phase) develops any success (especially in the US) is a major energy price drop provides benefits to consumers. It is also a refutation of any remaining thoughts that central banks cannot cut rates further.

Also, the general global economic situation is so unsettled that the Organization for Economic Cooperation and Development (OECD) have taken the radical step of cancelling this morning's next release of their Composite Leading Indicators. While very unusual, it is not a total surprise after last month's release headline:

“CLIs point to stable, though below-trend, growth momentum in the OECD area, *but do not yet reflect the potential negative impact of the novel coronavirus outbreak* (our italics.) As such, one of the more highly accurate forward-looking economic organizations is allowing it doesn’t really know, yet that the global economy was already showing ‘below trend’ growth prior to the COVID-19 impact.

‘Known unknowns’ EQUITIES hate plus Murphy’s Law timing.

And the extreme volatility is consistent with the ‘unknowns’ leaving classical pricing models unable to ascribe value to individual stocks or indexes. The same is true in the other asset classes seeing the return of extended heavy weakness in EMERGING CURRENCIES, and the parabolic rallies in GLOBAL GOVVIES. This gets back to the ‘half a pound of fat’ consideration from dear departed PORK BELLY FUTURES explored at length in last Thursday’s ‘C’mon in and Ride the Whip’ research note.

Once again, this is NOT 2008-2009, because the major commercial banks are not leveraged into toxic MBS (mortgage-backed securities) that might have destroyed the entire US and global banking system. Of course, the risk then was that even if the central banks would have provided extensive liquidity, there would not have been any conduit to have it flow into the broader economy.

In fact, in part due to the extensive banking regulations in the wake of 2008-2009, at present the major banks are very well capitalized. And there is no liquidity crunch (as global interest rates already confirm), even if fiscal measures are naturally slow to develop.

So the current extensive US EQUITIES weakness, US DOLLAR INDEX weakness (now that the US has lost its ‘haven’ status), EMERGING CURRENCIES back under pressure and GLOBAL GOVVIES explosive rally are ‘natural developments’ in current context.

We also posted our first www.Rohr-Blog.com post in a while as the “WEEKEND READ: COVID-19 Still Dominant.” It is an extensive review based on last week’s extreme price swings still showing EQUITIES failures and overall background trend considerations which drove them. It also revisits Thursday’s extreme historic volatility considerations and the Evolutionary Trend View as of Friday morning.

Market Quick Take (current)

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/2VWPVsh>.) 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 recently the 2,970 DOWN Break below the overall up channel (from the 2,313 late 2018 low) it finished below again last week.

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 the already noted interim 2,850 area previously tested followed by the more prominent 2,750 area currently being probed. However, as also noted previous, this looks like a reversion to a full trend correction, with 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.

Courtesy Repeat of the Balance of Friday's Quick Take (for context)

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) it is already testing. Next extension of the weekly Oscillator resistance is the 139-00/-16 area (MA-41 plus 09-16/10-00) this week, with all of them rising 0-12 into next week.

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 today. With the JUNE BUND FUTURE trading almost 3.00 lower, there was a chance it would be back into or below the 175.60-.00 area (where it was indeed trading earlier this week.) Yet in the event the strength of the uptrend extension in the MARCH BUND FUTURE to test that mid-179.00 resistance has left the JUNE BUND FUTURE trading above 175.60-.00. That implies instead of weakening back below it, it is more likely to trend up into the 177.00-.50 resistance.

As far the MARCH GILT FUTURE is concerned (with a late month expiration leaving it still the key contract for now) also at new all-time highs like the T-NOTE, last week it overran the September 2019 135.26 weekly DOWN Closing Price Reversal (Tolerance to 135.87.) That also overran some historic weekly Oscillator resistance at 137.00-.50 (MA-41 plus

4.00-.50.) This leaves the next weekly Oscillator resistance at 139.00-.50 (MA-41 plus 6.00-.50) it has already neared this week, with the extended levels another two points higher.

In FOREIGN EXCHANGE the DEVELOPED CURRENCIES have also seen a massive shift over the past two weeks. As noted above, even though the US DOLLAR INDEX had a 'haven' bid as recently as two weeks ago, since then it has been under extensive pressure against the other DEVELOPED CURRENCIES (including the recent atypical depression of the other 'haven' JAPANESE YEN.) While the volatility in this area is also historically extreme, US DOLLAR weakness is not a surprise with COVID-19 is spreading in the previously 'safe' United States.

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 levels were the interim 99.00 area, yet with the more prominent area not until the 99.50-100.00 'big penny' historic congestion at which it failed again on the retest two weeks ago (just like last October.)

After weakening in the end of February it failed back below 98.37-.00 at the top of this week (also important cluster of weekly MAs in the upper 97.00 area) on its way to also cracking the 96.50-.00 well-established congestion range support held at the end of last year. With the previous COVID-19 flight to US safety now reversed, it is testing the longer-term congestion in the 96.00-95.84 area (12-month trading low.) Much below that is the interim congestion into the 95.00 area, with the more major 94.00-93.70 area below.

While EUR/USD was under pressure again early this year due to its still weak economy, the initial response to the COVID-19 spread there took it to 33-month lows below last October's 1.0878 trading low prior to the current sharp recovery. That the EURO is strengthening so much against the US DOLLAR is a sign of 'greenback avoidance'. The US DOLLAR losing its haven bid has seen EUR/USD surge back above 1.0800 and even the more prominent 1.1000 area as well as the heavy 1.1250-00 area. That is now the next lower support, with higher resistance reverting to the prominent 1.1400-50 congestion that is also the full year trading highs.

GBP/USD had already held up much better against the US DOLLAR than other DEVELOPED CURRENCIES in the wake of the Brexit vote finally confirming its exit from the EU. While failing from 1.3500 again in December as well as back below the interim 1.3200

congestion, it only worked its way gradually into the historically important 1.3000-1.2800 range.

Even on the US DOLLAR surge into two weeks ago, GBP/USD only dropped to a Close near the bottom of that range. As such, its current recovery against the greenback is a bit less dramatic than the previously depressed EURO and JAPANESE YEN. While it is currently only back up around the 1.3000 area, this has proved its resilience once again. Next higher resistance remains in the 1.3200 area.

And despite US-China rapprochement on the Phase I trade and tariffs agreement, AUD/USD remains depressed on the heavier East Asian COVID-19 impact. That is only as expected, even as it has finally seen a minor bounce this week on the US DOLLAR weakness. Yet that is still from well below the .7000 area held in mid-May of last year.

Minor squeezes temporarily back above the .7000 area were only a prelude to slipping more definitively below it last July. Next lower major support was the .6825 area early-2016 10-year trading lows it also slipped below around the same time.

That is important after it slipped below next interim support at .6690-77 in early February on COVID-19 driven weak Chinese economic concerns. The .6500 area was the next support it slipped temporarily below last week, with the .6250 area's next supports below that this side of the .6000 area October 2008 16-year trading low.

In light of the recent more radical swings we are resurrecting our analysis of the USD/JPY. This was the prima facie example of the extreme 'haven' bid in the US DOLLAR two weeks ago, as the typical fellow 'haven' currency YEN came under heavy pressure on the USD/JPY surge above 110.00 for the first time since May 2019, leading to an immediate rally to the prominent 112.00-.50 area into the end of that week.

Yet here as well, once the US DOLLAR came under pressure on its loss of 'haven' status due to the COVID-19 spread in the previously safe US, it 'crashed' last week back below the 110.00 area to Close into 108.00 again. Yet that did not hold once this week began on weakness that has now carried below the interim 106.00 area to once again test the very prominent 105.00-104.50 range (39-month trading low with major rests in March 2018, January 2018 and August 2019.) Next lower congestion is not until the interim 102.50 area

with more major congestion into the summer 2016 100.00-99.07 summer 2016 extensive trading range lows.

And EMERGING CURRENCIES that had been under pressure were recovering to some degree, yet are now back under pressure. The SA RAND has seen USD/ZAR overrun 15.40-.50 into testing the 15.69 September 2018 high prior to pulling back. Yet even though it sagged all the way to 15.20 earlier this week, it is now back above 15.40-.50 and challenging 15.69 with 16.00 congestion the next higher resistance.

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. Now back out above it, 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 temporarily. Yet it is now above it, and even temporarily surged above the 20.25 resistance prior to dropping back into the 20.25 area. Yet here as well PESO weakness might continue on the COVID-19 North American impact, with next resistances not until 20.50 and 20.65.

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 today's US and Canadian employment indications that have proven less than critical in the face of the COVID-19 impact. 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, Wednesday afternoon's Fed Beige Book into Thursday's opening of an OPEC meeting under very trying circumstances that seems to have failed to curtail production, 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

info@rohr-blog.com

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Rohr International, Inc.
300 West Adams Street
Chicago, IL 60606 - USA

