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From: ROHR Alert <rohralert@gmail.com>
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Is the current US equities selloff something bigger, or just ‘another day, another swing’ we noted previous. In fact, by late last week the orderly selloff from no better than the past two weeks’ highs (more below) made it seem like ‘another week, another swing’ on the return to a narrow trading range.

The question now is whether the low end of that range will hold with some temporary slippage on the shift to a different external stressor after so much focus on the ‘on again, off again’ US nuclear negotiation with North Korea. It is now back to a different international theme that had been dormant for quite some time: political cum financial turmoil in the Euro-zone on the failure of an Italian government forming process. Details are both complex and not worth reviewing here beyond the degree to which an already fraught election that saw populist parties come to power has now seen the government formation effort fall apart over the nomination of a ‘eurosceptic’ economics minister.

As such, the populists are now calling for new elections while the Italian government bond market takes a beating. This influence is confirmed by the ‘haven’ strength of the German Bund and extended weakness of the euro leaving EUR/USD trading as low as the top of 1.1500-1.1400 historic congestion after continued failure below the 1.2000 area since the beginning of this month. Whether this is necessarily bad for US equities is now the question.

This is the critical consideration:
After its test of 2,809, the June S&P 500 future failing to hold the 2,770-60 range into mid-March left it weak. It was therefore no real surprise it slipped below interim 2,700-10 and 2,660-50 areas. That entitled it to revisit the broader channel tested in the mid-2,500 area back in early February that had moved up to 2,620 in mid-March. The early April failure below it and weekly MA-41 allowed for further weakness to near lower support in the 2,550-32 range tested in early February.

As noted at that time, it was important to see if it could claw its way back above 2,600-20, which was accomplished later that week on the delay in imposing steel tariffs. That reinstated it as lower support. It finally pushed back above 2,650-60 in mid-April as well to test 2,700-10 area prior to weakening again late that week.

Back below 2,650-60 in late April and again after the May 2nd FOMC statement left lower 2,600-20 support more important again. That held late week three weeks ago, and finishing that week back above 2,650-60 was a very strong sign. Holding it two weeks ago despite US Iran nuclear deal withdrawal was a key indication.

Above 2,700-10 again early this month left it support that has been extensively retested, now into the beginning of this week. There is a buffer to weekly MA-9 and MA-13 in the 2,685-80 range. Higher resistances remain back up at 2,760-70 and 2,810 area. That said, stalling both of the past two weeks into 2,741 area sets that up as a key interim resistance as well.

[For those of you who are subscribers, see the latest analysis and Market Observations write-up at www.rohr-blog.com for more on the current trend evolution. Market Observations are available to Gold and Platinum subscribers.]

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