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From: ROHR Alert <rohralert@gmail.com>
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Well, Tuesday's US equities selloff was not just 'another day, another swing' as had occurred over the past two weeks. As noted Tuesday morning, the concerns over 'on again, off again' US nuclear negotiation with North Korea have been superseded by political cum financial turmoil in the Euro-zone on the failure of an Italian government forming process. Details remain both complex and not worth reviewing here in detail. In a nutshell, an already fraught election saw diverse populist parties come to power yet fail to fully form a government.

The failure was over nomination of a 'eurosceptic' economics minister that was rejected, raising the prospect of fresh elections that was the driver behind Tuesday's turmoil. However, in the event their demands have moderated to some degree as they are back to at least attempting to form a government (sans the radical eurosceptic economics minister.) That is behind today's bounce in the US (and other) equities, and weakening of 'haven' bids in govies and the US dollar.

While the situation remains fraught until the uneasy highly diverse left-right Italian coalition partners actually form an acceptable government, it is interesting that the US equities held into the Tolerance area somewhat below the low end of the previously noted trading range (more on that below.) It is going to be very interesting from here, yet with the assumption that as long as Tuesday's lows hold US equities remain more bullish than not. The same goes for govies likely being done with their spike higher and US dollar also losing its recent 'haven' bid.

This is the critical consideration:

As noted back in early April, it was important to see if the June S&P 500 future could claw its way back above 2,600-20 previous major channel DOWN Break and weekly MA-41. It accomplished that 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 again in early May, and finishing that week back above 2,650-60 was a very strong sign. Holding it the following week despite the 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, and slipped below early this week on Euro-zone concerns. Yet as noted Tuesday morning, there is a buffer to weekly MA-9 and MA-13 in the 2,685-80 range this side of 2,660-50. 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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