Alan Rohrbach

From: ROHR Alert <rohralert@gmail.com>
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To: undisclosed-recipients:
Subject: ROHR ALERT!! Powell-erific

Dear Subscribers,
Fed Chair Powell's Tuesday speech (http://bit.ly/2XURrIE our marked up version) on monetary policy at the Banque de France commemoration of the Bretton Woods Agreement 75 years ago was masterful. It more fully explained the basis for the Fed's current accommodative policy in the face of US economic strength.

That is important on two fronts. It allows for support for the extended rally of US equities even as it also does not create any real headwinds for the global govvies. This is obvious to some degree in the US equities holding their bid into the next key resistances above the important 'big penny' psychological area (more below.)

On the foreign exchange front it also allows for continued firmness in the US dollar despite the anticipation of one or more FOMC rate cuts this year. And with the first looming at the end of this month, that is an important indication.

It is the case (for just one example) that current weak economic data and the stubborn no-deal Brexit threat has finally dropped GBP/USD below the low end of the key 1.2500-1.2430 range late 2018 (2-year) trading lows. This is along with EUR/USD seemingly unable to push up from its own 1.1200 historic congestion. The point is that lower US interest rates will not necessarily signal a weaker US economy when the driver is global weakness the Fed's is attempting to offset.

This is the critical consideration
Even after the early June US-Mexico tariffs scare selloff sent the front month S&P 500 future back near the 2,722 March trading low, US equities saw a sharp rally. Lower key supports at 2,865, 2,836-30 and 2,825-14 were all reinstated. Higher resistance was again 2,900-10 area, with the early May 2,938.25-2,947.50 gap lower from the all-time high Close above. As those were overrun into mid-June, September S&P 500 future was above historic Oscillator levels at 2,965-70 and 2,985, with the critical 3,010-15 into this week above that.

Also note the low 3,000 area topping line out of January 2018 on the weekly chart (http://bit.ly/2xLElmw) through last Friday's Close. The question now would seem to be whether it can maintain a push above critical 3,010-15 Oscillator resistance and somewhat higher topping line into the 3,030 area prior to dropping back below the 2,947-38 gap and old all-time high area from September.

The other psychological key in light of current trading levels is the 'big penny' psychology: the tendency for markets to treat major round numbers (like 3,000) as significant whether or not they are actual technically important thresholds.

In this case 3,000 is not a fine line threshold, yet relates to trend momentum. And 'extended' weekly Oscillator projections suggest any sustained escape above the 3,010-15 area points to 3,060-70 next (weekly MA-41 plus 280-290.) Hence the added importance of the 3,030 topping line as a Tolerance, and whether the September S&P 500 future can hold no worse than that 3,000 'big penny'.

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