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ROHR ALERT!! Markets Parked

1 message

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Dear Subscribers,
And why would the markets make a decision right now? They've got an ad hoc Powell interview at 11:00 EDT and Trump on China at, well, whenever! More on those below, but first we are still seeing the heavy 'bifurcation' of the market psychology revisited in Thursday's 'Eviscerated Economies with Encouraged Equities' ALERT!! Prior to Trump's hasty Thursday notice of a speech "*later on*" Friday on the US response to China's latest elevated security legislation in Hong Kong, the US equities were sailing above key resistance on the rally.

Concerns about what Trump might do on the economic and tariffs front (with bipartisan backing at this point) was enough to knock back the US equities late session on Thursday. Yet at least so far they have not done any worse than being 'parked' at the top of the key technical congestion overrun since late Wednesday. That would be the June S&P 500 future 3,030-2,970 multiple indication range.

On those pending influences from Fed Chair Powell and Trump, Powell is the lesser impact. At 11:00 EDT previous FOMC member and Princeton Professor Alan Blinder will engage Powell in a 'conversation'... so we suggest there will not be any news. Watch Live at https://www.youtube.com/watch?v=4jr8PbAxem8. There is no chance that Powell will deviate from recent Fed policy moves, and we are coming to you earlier than usual in part to remind you of that interview.

On the other hand, Trump is a bit of a wild card. He is armed with bipartisan support after Congress recently passed the Uyghur Human Rights Policy Act of 2020 **that segues into support for action against Chinese moves in Hong Kong. However, the consideration that any sanctions will also weigh on Hong Kong leaves a sense that any initial moves today will be limited, with the threat of more to follow if China continues the security action expansion in Hong Kong.**

This is very tough for market participants attempting to assess the short-term market activity. In addition to the unknown degree of any Trump action is the indeterminate time… yet 'to be announced' at the time of our writing, if indeed not just ad hoc. If Trump (which is to say his advisors) are smart, they will likely demure until after the US equities are closed for the weekend. That will give participants time to assess whatever he might propose, or do by executive order.

In the meantime, the resilience of US equities still speaks of that heavy bifurcated market psychology. They were surging to that new high despite still weak data on balance and a troubling outlook after Thursday's OECD G20 Q1 International Trade Statistics (https://bit.ly/2TLZkRD marked-up.) They were daunting in their way in highlighting how the Trump tariffs had already derailed a strong picture, which is now much worse and looking to deteriorate.

Before that was Wednesday's Fed Beige Book (https://bit.ly/3de1aCC), with signs of further economic weakness to come. The Cleveland Fed's noted that rehiring might fall well short of the previous employment levels. That was after still very weak European indications on the OECD Q1 GDP 1.8% fall (https://bit.ly/3goTShc our marked-up version) released Tuesday morning, with especial weakness in parts of Europe. That is all followed by today's slightly mixed yet still very weak indications everywhere from Asia through Europe right into the US on releases like Personal Income and Consumption, and the Trade Balance. While the current Chicago PMI and Michigan Sentiment are still pending, we doubt they will be more influential than whatever Mr. Trump has to say sometime this afternoon.

And as noted previous, for now fiscal and central bank moves may be providing enough spending power to even the unemployed to keep hopes up, along with elevated expectations for an early vaccine despite the economic carnage.

And it is once again of note, especially after Thursday's Trump China speech announcement, that outside of weak sister German Bund the global govvies are maintaining their bid despite the US equities rally extension. It is also the case that emerging currencies have curtailed their recent strong rebound, even if they are not weakening much again at present. Still parked as well for now.

This is the critical consideration
COVID-19 virus spread caused US equities intermediate-term bull psychology to 'crack'. Front month S&P 500 future was already back below key congestion around the mid-2019 3,030-00 previous all-time high congestion. That was below support from the push above the multi-year topping line at 3,070developments as well, and left a late-February intermediate-term up channel 2,970 DOWN Break.

The subsequent DOWN Break below the front month S&P 500 future 2,600 area major up channel seemed to indicate more of a near-term failure. That was from the early 2016 low (https://bit.ly/36ukbxP updated through Friday's Close.) That was the recent key higher resistance it had violated on its push above its 2,675 trading high Tolerance from prior to the DOWN Break (including monthly MA-48.)

As such, it is reasonable the June S&P 500 future will now treat the low 2,600 area (with a Tolerance to the mid-2,500 area) as support. And the front month S&P 500 future pushed out of the broad higher range top in the 3,030-2,970 area prior to Thursday's late weakness, with the 3,200 area the next meaningful resistance.

The key levels along the way were previously violated support at 2,850 area and 2,750 area, both of which had been exceeded. It held below the latter in late-April without ever nearing the 2,675 Negated Tolerance of the 2,600 area DOWN Break.

This left open the potential to retest that more prominent confluence of resistance factors in the 2,970-3,030 range despite the recent slippage. That resistance was further reinforced by the manner in which volatility had returned to the downside from late April into mid-May. This created a more highly focused Evolutionary Trend View (ETV) in the form of a near-term Head & Shoulders Top pattern.

That pattern along with the other key low-mid 2,800 area technical indications 'confluence' is reviewed at length in our TrendVIew Video (https://bit.ly/2XylbNn) on June S&P 500 future 'long arc' and shorter-term (04:00-06:40) developments. There is also comparison with a 2008 front month S&P 500 future recovery rally (07:10-11:30) with important implications for the current US equities decision.

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