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ROHR ALERT!! Runaway Bull?

1 message

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Dear Subscribers,

Even after President Trump's Friday afternoon pronouncements on China, the US equities shook off the initial pressure to Close the week above key resistance. However, they are parked at that key technical area instead of exhibiting further bullish activity which might have been expected on an UP Break (more below.)

It was reasonable to note Friday morning just what our 'Markets Parked' ALERT!! title was meant to imply prior to Trump's further castigation of China, along with confirmation that Hong Kong's 'Special Status' is going to be revoked. It may seem any additional sanctions on the mainland might be marginal with overall global trade volumes already so depressed (Thursday's OECD G20 Q1 International Trade Statistics (<https://bit.ly/2TLZkRD> for our marked-up version.)

Yet Hong Kong is another matter altogether. And US Special Status withdrawal may signal the start of significantly greater stresses on the already still weak mainland economy. This is laid out in a somewhat dated, yet still very relevant Reuters article from last September (<https://reut.rs/2LvlyCv>.) The access to foreign capital Hong Kong provides the mainland is still of critical importance.

Without that channel and the US already applying pressure to other mainland China conduits, there may be a real impact on the government's ability to continue to fund any economic largesse. As noted in an earlier Kyle Bass CNBC interview (<https://cnb.cx/3f4VMDd>) from April 28th, he highlights the significant problems with the Chinese capital account (04:10 to 07:45) that make it very dependent on foreign investment to keep its economy going.

That is along with all of the other key economic data which still points to real challenges for the US and global economy despite some improvement from the debacle into March and April. Yet that still only means stabilization at a much lower level than was clear into the mid-late February economic strength and US equities all-time high. This is apparent again this morning on the mixed global Manufacturing PMIs, yet still at very depressed levels. As such, all of the recent economic data and the anticipation of future data remains very challenging.

So why would the US equities want to push an UP Break above the previous key June S&P 500 future 3,030-2,970 multiple indication range? Well, government largesse has lined the pockets of Americans with COVID-19 relief payments, much of which remain unspent in their bank accounts. That fosters thoughts of the 'demand shock' possibly not being as bad as expected. Fair enough, yet that sudden spike in the US savings rate does not necessarily bode well for a return to previous spending patterns... which we have also noted previous.

The other sign of hope is the accelerating reopenings of various US states outside of their most troubled COVID-19 areas. Also fair enough. Yet as noted in Wednesday's 'Irresistible versus Immovable' ALERT!!, a prominent quant analyst said that he had reviewed the data, and there is no sign reopening was causing any accelerated COVID-19 spread. This is astounding from someone alleged to be very smart! Is he unaware of the key COVID-19 2-week asymptomatic contagion characteristic, which we recognized as a problem back in late January (see the research note on the 27th)? The real test will only occur into mid-June.

As such, we remain skeptical, yet must respect the current June S&P 500 future push above the top end of 3,030-2,970 (where the low end also remains the key lower near-term support for now.) This will need to continue to be assessed as the market evolves into this week's critical data, and the also important further impact of the riots and looting that are further suppressing economic activity even if they have spun off from very legitimate protests of the tragic George Floyd killing in Minneapolis. How long do they continue prior to abating?

The other interesting considerations along the way are the global govies coming back under pressure, and the further weakening of the US dollar against both developed economy and emerging currencies. Together that speaks of some confidence in better economic conditions consistent with the US equities rally.

Courtesy Repeat of Friday's 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 3,070 developments 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 May 22.) 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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