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ROHR ALERT!! And So It Goes

1 message

ROHR Alert <rohralert@gmail.com> Fri, Jun 12, 2020 at 10:24 AM
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Dear Subscribers,
Another sharp swing in hypervolatile US equities. The confrontation into next week pits Thursday's selloff against last week's sharp extension above a very key resistance range. With two such major moves over the past 10 trading sessions it is a very good question on which represents the sustainable trend momentum?

What we know after Thursday's very sharp selloff is that the rally this morning is not the proverbial 'dead cat bounce'. That's an old floor trader and short-term analyst term for what can be very limited rallies even after sharp selloffs in real bear markets… as in '*not very much of a price recovery at all*'. [This comes from the macabre market metaphorical question, "*How far does a dead cat dropped from the fourth floor down to the pavement bounce*?" Again, not very far.]

The sheer fact the S&P 500 has bounced $90 this morning after retesting the last overrun significant resistance (now support; more detail below) at Thursday's late session trading low means it is already NOT a 'dead cat bounce'. At the least it remains a trading market up into the current range. That said, the sharpness of the selloff from extended resistance we anticipated into last week's accelerated rally means there is an additional resistance psychology into the recent highs.

Yet the proof is always in the trend follow-through pudding. In this case the front month S&P 500 future (rolling over to the September contract at the end of next week) will need to fail once again below the 3,030-2,970 range once again (as it did in early March) to reinstate a more aggressively bearish psychology. And in the context of what we had already noted some time ago were 'Colossal Cross Currents' (see our April 6th ALERT!!), sorting out the current conflicting 'macro' influences is no less challenging. Yet we have explored all of it this week…

...starting with Monday's 'Social Shift…?' ALERT!! exploring whether prominent US anti-discrimination protests were encouraging a political change into the November general election that will also have extensive market implications. Tuesday we digressed a bit into an analytic technique discussion relevant for the hypervolatile US equities in 'The Long-Bomb and the Sharp Pencil'. That actually turned out to be a bit prescient in the context of what transpired on Thursday.

We have recently been collaborating with analysis and trading platform Ticker Tocker, who has chosen to feature our broadcasts a couple of times each week. Even prior to Thursday's show we had signaled that same topic was going to be our theme on how aggressive short-term market projections in volatile markets relate back to an iconic American football play. Our overall video explanation of those phenomena is augmented with an historic clip of fabled Oakland Raider quarterback Daryle Lamonica in action (https://bit.ly/37qCWmc 13:45 to 17:30.)

Wednesday morning was our 'OECD Rains on Friendly Fed Party' ALERT!!, which delved into the OECD's World Economic Outlook along with quite a few links to content from it (most tellingly the graphic https://bit.ly/3h7zem2 illustrating how sharply they had to revise their growth projections based on COVID-19 impact.)

Of course, Thursday morning was our post-mortem on what the FOMC signaled (https://bit.ly/3fb0NJx marked-up Statement and revised economic projections https://bit.ly/2ApMh1K) and Fed Chair Powell's presser (https://bit.ly/2XSw2mU.) What was clear even from later on Wednesday was US equities disappointment with Powell's downbeat view yet with no further immediate stimulus. Hence the ALERT!! title (ostensibly the query from US equities to the Fed) 'So, What Have You Done For Me Lately?' As we noted Wednesday morning, insofar as the US equities were entertaining potential for a push through higher resistance they are "...*vulnerable to hoping the Fed will also announce some additional stimulus this afternoon*…" Once that did not occur, the psychology became stale.

Of course, there is also the incipient resurgence of the COVID-19 infections in some key US states attendant to the reopenings. As those were instituted around Memorial Day (May 29th), they will be into week 3 anniversaries from the top of next week. As this Reuters article notes, there are already increased infections (https://reut.rs/2MHCTJt) in some southwestern and western US states.

Given the magnitude of all these cross currents, it is likely best to let the market signal what it deduces into next week. Yet as the 'long-bomb' hypervolatile price swings are likely to continue, the technical decisions gain more importance into the key levels… and so it goes, with somewhat of a 'risk off' bid back in global govvies and emerging currencies back under pressure for the first time in a while.

Courtesy Repeat of Thursday'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 3,070developments 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/2MHIxfA updated through Friday.) 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, with interim levels at 2,850 and 2,750 that were important in the recent up trend. And the front month S&P 500 future pushed out of the broad higher range top in the 3,030-2,970 area two weeks ago and sustained it, with the 3,200 area the next higher meaningful resistance that has a 3,230 Tolerance. That is obviously what the market knew once it exceeded the 3,030 area, as it rallied directly to 3,200 by late last week.

Yet it then stalled into all three days early this week right up against that 3,230 Tolerance with no sign it was going to push further. Especially after Wednesday's friendly Fed communication yet with no additional stimulus announcement into a still weak economic situation (see above), the market is disappointed. While it is not that much lower in the

context of recent hypervolatility, this opens a potential to retest that more prominent confluence of technical indications factors in the 2,970-3,030 range despite the recent strength. That congestion is reinforced by the manner in which the market churned up against the low end of it into May.

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