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ROHR ALERT!! Temporary Fed Follies Today

1 message

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Dear Subscribers,
The reason we are characterizing the FOMC announcements (14:00 EDT) and Chair Powell's press conference this afternoon (14:30 EDT) as a 'temporary' influence is the degree to which US Congressional negotiations on the next round of COVID-19 economic relief will overshadow the Fed by later this week.

Already on Tuesday the Federal Reserve announced (https://bit.ly/332dsvz) "...*an extension through December 31 of its lending facilities that were scheduled to expire on or around September 30*." That's quite an interesting development.

Yet as Chair Powell and the FOMC stressed in all previous communications, the Fed is "...*a lender, not a spender*." While it can make liquidity amply available for loans, it cannot directly spend money in the same sense as the legislative branch can approve fiscal stimulus in the form of direct or indirect capital injection. It is likely enough it is signaling those liquidity facilities will remain in place, and it is not likely Chair Powell will provide anything more at his press conference.

Which raises an interesting market contingency. Regardless of whatever the Fed pre-signals, many folks (and by extension the US equities psychology in general) tend to believe there will be a positive surprise from the Fed; with special focus on the Chair's press conference as a source of further accommodative moves.

However, it is important to recall the lack of further measures at the June 10th press conference was the source of consternation which heavily pressured the US equities into the late part of that week. And there is further ground for concern that the liquidity facilities extension signals a more downbeat Fed economic view.

And the 'temporary' nature of Fed influence is obvious from the aforementioned US Congressional COVID-19 economic relief negotiations being more critical into the previous package's $600 unemployment benefits supplement expiring Friday. While there may be some market forbearance, if there is not an agreement in the highly partisan and fractious (even within either main party) discussions, failure to agree dragging on too far may have a negative economic and market impact.

Along with a summary of what the Fed had to say (literally in the case of Chair Powell's press conference), we will be back with more on the US COVID-19 relief package negotiations tomorrow morning. Yet in the meantime, the indications are not very positive. Treasury Secretary Mnuchin said just this morning, "We are very far apart." As we already covered quite a few of those issues in Monday's 'The Rocky Relief Show' ALERT!!, we refer you back to that for more of the obvious details; and will even have more of the minutiae later this week.

In the meantime US equities are typically 'parked' in front of whatever the FOMC announcements will signal today, along with Chair Powell's press conference. September

S&P 500 future has once again been stalling into, yet not breaking very far from, the key 3,230 area. Global govvies are keeping their firm bid, even if Europe is backing off from its residual strength on Tuesday.

And the US dollar continues to weaken. That is likely on two key drivers. The first is the fact the US is now the major global economy center of COVID-19 pandemic. That has for a while been, and likely will continue to be, something that negates the greenback's typical haven bid during global crises… not when the US is the primary problem. There is also a Europe that is in better shape on the pandemic response having its own fractious relief package finalized earlier this month.

The remaining area that is more so in flux is the fate of the emerging currencies. While they were also benefiting previous from the secular weakness of the US dollar, the prospect of an overall weaker US economy on any failed COVID-19 relief package passing timely spills over into a weight on the global economy… and that represents another potential stressor for the emerging currencies.

Another Courtesy Repeat of Monday's critical consideration
[To be updated Thursday morning, after the FOMC influence today]

COVID-19 virus spread caused US equities intermediate-term bull psychology to 'crack'. Early March already saw front month S&P 500 future 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 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/3jD6WB8 updated through Friday.) That was then the key higher resistance subsequently violated on its mid-April push above its 2,675 trading high Tolerance from prior to the DOWN Break (also monthly MA-48.)

The front month S&P 500 future pushing out of the broad higher range top in the 3,030-2,970 area in early June was the key to it surging to the 3,200 area. That was the next meaningful higher resistance with a 3,230 Tolerance at which it failed previously on the current rally. That is also where It stalled all three days after the early June US Employment surge with no sign it was going to push further.

And it remains a very prominent technical area, which it has just pushed above. After churning recently around the 3,100-30 interim congestion in the middle of the 3,030-2,970 and 3,200-30 ranges rallying above 3,230 despite the expanding US COVID-19 concerns was a strong indication. However, sinking back below 3,230 late last week is a cautionary sign, as the weekly Close above that level was necessary to fully signal that UP Break. Back below 3,200 would signal a 'false' UP Break, which could indicate an important near-term top… it's on the cusp.

If it does manage to press higher, next resistance is the February 24th major gap down from the February 21st 3,339.25 weekly Close. That is also key congestion as higher resistance, even if the gap begins at the 3,312 high of the following week (established Monday of that collapse week.) The only nominal resistance above that is February's 3,397.50 front month future all-time high.

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