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ROHR ALERT!! ‘Risk On’ is Back!

1 message

ROHR Alert <rohralert@gmail.com> Tue, Aug 25, 2020 at 10:40 AM
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Dear Subscribers,
The US equities extension into the new front month S&P 500 future all-time high seems to be reflecting the return of ‘risk on’ psychology. As has been the case for all of the current, significantly impressive rally all the way back from the radical February-March $1,200 selloff, this seems driven by expectations over reality.

This is clear from lingering COVID-19 fears and actual effects, like the lack of any further US government relief with the Phase 4 package still intractably bogged down in Congress. This is finally filtering through to the economic data, such as today’s August US Consumer Confidence dropping to 84.8 from the previous month’s 91.7… worse than the expected rise to 93.0. This was after somewhat disappointing European data, and especially UK CBI retail sales indications.

And continued strong US Home Sales numbers need to be discounted as an indication of the flight from cities to the suburbs and exurbs. Many more rental vacancies and weaker in-city home prices seems to confirm that obvious trend. There will classically be quite a bit more data in this typically crowded last week of the month, and also the Thursday-Friday virtual KC Fed annual Jackson Hole Symposium providing extensive communication from global central bankers.

Our suspicion is that the strength of the US equities and emerging currencies on return of a clear ‘risk on’ psychology is partially anticipatory on many previous years’ central banker speeches from the Jackson Hole Symposium. Even having been disappointed by Fed Chair Powell and others in recent speeches and press conferences, US equities hope for anticipated future moves springs eternal.

However, that leaves room for disappointment if the central bankers have nothing more to say than they are continuing current commitments to unbridled liquidity provision and sustained low rates (likely for the next couple of years.) And they will also likely be vocal on the need for much more fiscal support, highlighting especially the US government lack of action that is weighing on the economy.

As articulated in Monday’s ‘Medical and Market Breakthrough?’ ALERT!!, there is indeed a market breakthrough on the more major S&P 500 Index pushing to a new all-time high. That is after the heavily tech NASDAQ already having led the way.

Yet the ‘medical’ breakthrough remains specious at best. As explored on Monday, “...*we must consider whether the Trump administration’s accelerated FDA approval for blood plasma treatment for early phase COVID-19 patients was indeed an enlightened move… or was this President Trump’s ‘jump the shark’ moment (https://en.wikipedia.org/wiki/Jumping_the_shark) that may deter many folks from taking the ultimate vaccine when one is finally available? This works hand in glove with the news that the Trump*

administration is also considering early approval of a UK vaccine before full tests are complete.

***“As such, rather than a ‘medical breakthrough’ it seems more of a political ploy. The President and his team undoubtedly know that any classical testing of a new vaccine (heavily subscribed Phase 3 trials) will run well beyond the US election*.**

And, “*Based on Trump’s ‘deep state delays’ claims regarding FDA, there is room for more skepticism. That is also driven by the fact that the UK vaccine developer AstraZeneca has come out this morning with news that it has had no contact on this with any individuals in the Trump administration… Curiouser and Curiouser*.”

Also regarding the ‘market breakthrough’ we had the cautionary view that the September S&P 500 future push well above that February 3,397.50 major previous all-time high must be maintained for this week’s Close. While there is much more of the extended background revisited in Monday’s ALERT!!, the essence remains the same: it needs to Close the week at least above 3,418, and even better 3,425. This has to do with the extended weekly Oscillator thresholds, and we suggest a read of Monday’s ALERT!! for anyone interested in more specific information.

In the meantime, the global govvies are under more significant pressure that seen since the surprisingly strong US inflation numbers seen two weeks ago; and that is despite the recent still problematic economic data… especially that weak US Consumer Confidence. That said, the German Bund is the far weaker sister now.

And the emerging currencies are gaining more strength in a clear indication of a better global economic sentiment. How much of that is real and how much of it is ‘friendly central banker anticipation’ will probably become clear later this week. That said, the US dollar is steady against developed currencies on weakness elsewhere, especially as EUR/USD continues to stall in the low 1.1800 area.

Courtesy Repeat of Monday’s critical consideration
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/34poXh5 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. Yet pushing above it in late July opened the door to a retest of the February 24th major gap down from the February 21st 3,339.25 weekly Close it has managed to Close above once again since two weeks ago.

The only nominal resistance above that was February’s 3,397.50 front month future all-time high. Along the way is a minor 3,381 DOWN Closing Price Reversal (CPR) from that topping week (Tolerance 3,388.50.) Yet that CPR is so minor in the face of a major rally back from

the February-March debacle, it was hard to imagine it could prevent the front month S&P 500 future from at least taking a look above 3,397.50; and that has now transpired.

That is also just above the extended ‘adjusted’ weekly Oscillator range, with the next (all-time) Oscillator range not until the 3,413-18 area this week, and also still rising $7 per week on the continued MA-41 rise. That is the same threshold where it stalled in February, which we already knew from the Oscillator ‘adjustment’ we made after the market strength into early 2017. It’s going to be very interesting.

Does classical over-extension take its toll, or do US equities just power higher? For more on those ‘contingencies’ based on adjustment to the previous classical Oscillator thresholds (and how they evolved), please see (*Monday’s*) ALERT!!

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