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ROHR ALERT!! Wild End to a Wild Week

1 message

ROHR Alert <rohralert@gmail.com> Fri, Aug 28, 2020 at 10:25 AM
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Dear Subscribers,
Many markets have been all over the place, in part based Fed Chair Powell setting the cat loose among the canaries and also the extreme variations in the economic data over the course of the week. In the first instance, as anticipated in Thursday morning's 'Powell-O-Mania' ALERT!!, the market reactions were not necessarily as expected on the Fed's inflation-tolerant 'Monetary Policy Framework Review'.

While the indication they would allow more inflation, in line with their once again Brobdingnagian accommodation measures naturally encouraging US equities, it was not necessarily a further problem for either the US dollar or global govvies. Admittedly part of that might have been the anticipatory weakness of the global govvies prior to the broadly expected Powell indications (see Wednesday's 'Bond Angst into Jackson Hole' ALERT!!) However, global govvies have now stabilized after only the UK Gilt had slipped temporarily below important support.

And the US dollar which surprisingly rebounded in the wake of Powell's speech that should have weighed on it, is now back under across-the-board pressure. This is of particular note after better-than-expected US data today after weaker Japanese and European economic indications. On that basis the US dollar should have strengthened. The one consistent area is the renewed strength of emerging currencies that had weakened later on Thursday. That is consistent with a better economic psychology driven by US equities strength. Yet with the stronger data in the US right now, the US dollar's weakness is of particular concern.

Although the US Dollar Index traded below the important interim 92.50 support early last week, it had rebounded back toward the 93.50 DOWN Acceleration level late last week. To be back below 92.50 again so quickly is a weak sign. That is also consistent with EUR/USD looking like it can finally Close this week above the 1.1815 area for the first time since mid-2018 after reacting from above it last week.

And on the 'macro' front this is short and sweet today, as the major themes were all reviewed earlier this week. The global outlook from many sources on the weak spots in economic data (like Europe today) and future projections remains dire. However, the psychology for the US equities is based on indices that include the major companies best equipped to take advantage of the central banks' largesse.

That is even as Main Street suffers quite a bit. As reinforcement for this tendency is the degree to which recent earnings reports (outside of high tech) have noted lower top line turnover, yet stronger earnings. This is an obvious extension of the rapid large business moves to cut costs. Yet Philadelphia Fed President Patrick Harker noted in a CNBC interview this morning (https://cnb.cx/3js7dpP) that in the intermediate-term the cost cutting leaves too many unemployed to benefit company income and profits. There is also quite a bit on consumer spending.

And now the bottom line on the extended 'risk on' psychology flowing from the US equities, to the benefit of emerging currencies and restraining the global govvies, is whether the September S&P 500 future can sustain activity above the recently 'adjusted' weekly Oscillator threshold it is flirting with at present, and the somewhat higher long-term topping line (much more on all of that below.)

Courtesy Repeat of Thursday'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 (as is clear on the weekly chart 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.) Ergo, the rally could be sustained.

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's 3,397.50 front month future all-time high.

Along the way was a minor 3,381 DOWN Closing Price Reversal (CPR) from that topping week (Tolerance 3,388.50.) Yet that CPR was 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 on a push into the upper 3,400 area.

That is also above the extended 'adjusted' weekly Oscillator range in the 3,415-20 area this week, now rising $10 per week on the MA-41 rise. That was 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. And the rally now calls for another 'adjustment' based on the 2,875 early 2018 high Close and the subsequent 3,381 February high Close prior to the COVID-19 pandemic debacle.

That new 'extended' weekly Oscillator threshold is MA-41 plus 395-400, which is 3,475-80 this week and rises to 3,485-90 next week. That is above the previous adjusted high range of 335-340; an increase of 18% based on the early 2018 weekly high Close and the equivalent level from February 2020. In addition, a longer term topping line can be projected across that February 3,397.50 trading high from the April 2010 first major high after the major cyclical 666 March 2009 trading low. That topping line is at 3,515 this week, rising into 3,525 next week.

That is interestingly in line with the MA-41 weekly rise as well. Which is not much of a surprise based on longer-term trend momentum readings being reflected in similar long-term technical trend indications. Yet that weekly Oscillator change is about as far as classical trend indications can be 'adjusted'. So beyond the 3,525 area on next week's Close would indicate a pure 'runaway bull' market, with any sense of stabilized classic

Oscillator readings needing to wait until the market corrected to the downside to establish a new bona fide resistance area.

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