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ROHR ALERT!! Monday Redux on PMI Tuesday

1 message

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Tue, Sep 1, 2020 at 10:14 AM

Dear Subscribers,
We are basically repeating our Monday "Surging Into 'The Crunch'" ALERT!!, due to it being so critical on the recent US equities activity. Along with that was also the issue of our UK readers being out on Monday for their Late Summer Bank Holiday at the top of a very critical week. As noted in Friday's 'Wild End to a Wild Week' ALERT!!, last week was most interesting on the intermarket activity as well as the US equities pushed up to a further significant new all-time high.

The front month S&P 500 future exceeded the February 3,397.50 old high by over 3.0% all in one week. That capped off an overall gain from the last mid-June 2,935 reaction trading low of almost 20.0%. Impressive under any circumstances, and especially so in the context of the still economic and medically troubling spread of the COVID-19 pandemic in the US. Of course, as we have noted on more than a few occasions that is in the context of major corporations which are part of the stock indices; and broader economic problems elsewhere may still affect them.

While we have quite a bit more to say on the 'macro' perspective based on recent developments, that will wait until tomorrow. The one item worth reviewing right away is the global Manufacturing PMIs released this morning. On the whole they were constructively above 50.0 outside of Spain and Japan (which were close.) Once again the US with Canada led the way up while Germany disappointed.

That said, the latest broader economic indications and anticipation for everything from real estate (which dodged the bullet up to this point and has implications for banks), the seemingly endless remaining delay in the next round of COVID-19 pandemic relief from the US government, and the degree to which other informed observers also question the Fed's latest shifts as we already had are troubling. For more on the latter see the FTWeekend article via https://bit.ly/2QC7oSW.

In the meantime, even as impressive as the US equities gains have been, they are now approaching the next 'crunch' point. That is in the form of a longer-term topping line that we noted after the initial push above the old February high early last week. As the 'adjusted' classical Oscillator threshold was also overrun as well (much more below), the longer term front month S&P 500 future topping line is at 3,525 this week. And lo and behold, that is exactly where it stalled Monday morning (in fact in overnight electronic trading at 22:00 EDT Sunday night.)

As such, that reinforces it as the key level it will need to overcome this week to further accelerate the upside trend. In fact, as noted last week, "...*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*."

Even though it is now reacting down from that initial test, the lower 3,490-85 'adjusted' Oscillator threshold will need to fail if there is to be a deeper correction after the past month's unabated strength. Even if that may only be back down for an initial retest of the 3,400 area old highs (typical after those are violated), it would represent more of a selloff than the US equities have seen since late June.

Last week was also 'wild' based on the other asset classes' response to the US equities strength. Global govvies were indeed under some pressure. Yet outside of the UK Gilt they were still able to hold lower support pending whatever the US equities can signal next on the renewed 'risk on' psychology. That psychology was also important for the impressive further gains by the emerging currencies with only a temporary reaction Thursday on the way to further Friday gains.

Those are reacting at present despite the developed currencies holding last week's impressive gains against the US dollar. The US Dollar Index is back on DOWN Acceleration below the 93.50 area that was originally established back in late July. This is reinforced by the US Dollar Index weakness back below the interim 92.50 support, and the EUR/USD finally strengthening above the low 1.1800 area. That is a further supportive factor for the US equities rally for now.

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 (as is clear on the weekly chart https://bit.ly/3hM2M8D 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 above it last week into the low 3,500 area.

That was also above extended 'adjusted' weekly Oscillator range in the 3,415-20 area last 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 has called 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 3,485-90 this week and rises to 3,495-3,500 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 3,525 this week, rising into 3,535 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 3,525 by more than $10 on this week’s Close would indicate a pure ‘runaway bull’, 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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