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## ROHR ALERT!! A Curious Sort of Friendly Jobs Report

1 message

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Dear Subscribers,

With a US Nonfarm Payrolls gain of 1.371 million (in line with estimates) and the Unemployment Rate dropping to 8.4% (much better than expected), it is a bit curious that US equities are dropping quite a bit further after Thursday's very sharp selloff from dizzying new all-time highs. Yet there are several good reasons for this. Before we explore that, please also note this is our holiday notice for Monday's US Labor Day observation. We'll be back in the office on Tuesday.

As far as the US equities (with other markets to follow), in the first instance it is possible the old axiom, "*The market* (which is to say equities) *is a creature of expectations*" is at work. After recent endless permutations of the degree to which a select number of tech leaders could mean "*It's different this time*" (shades of 2000 and 2007), and they could take the otherwise lagging general stock performance to new highs without bounds, reality seems to have set in.

While we have repeatedly noted the lack of further COVID-19 relief from the US government might spell trouble for the economy, the fact is that the \$600/week supplemental weekly unemployment benefits which expired at the end of July still meant some folks were receiving those higher checks into early August.

The little secret of the monthly US Employment report is that it cuts off around the 18th day of the previous month. As such, the 'August' report is actually the 'second half of July through the first half of August' report. As an aside, this is most interesting on a political level. The 'September' US jobs report will be at risk of showing the impact of the drop off in supplemental Unemployment Insurance.

With Congress only likely to pass any renewed relief (including the resumption of the supplemental weekly payments that ended on July 31st) late this month, any benefit to the economy and employment will not show up in September; only the impact of the previous lapse in supplemental payments. Ergo, the lack of a more bullish US equities response to today's number, based on future 'expectations'.

And when does that September US jobs report hit? On Friday, October 2nd as the last Employment Situation report prior to the November 3rd general election. It is possible that Speaker Pelosi is once again the smartest politician in the room (outside of her Progressive base forcing her into that misguided impeachment attempt late last year.) Her 'high end' Democratic Party request for more relief spending than Republicans were ever going to approve plays to her base. It is also a way to blame the GOP for any return to near-term economic weakness.

After months of Trump and his minions touting how well the US economy is recovering from the COVID-19 pandemic devastation, a reversion to a really weak US jobs number

**exactly one month prior to the election may shift some of the key 'economically oriented' independent voters away from Trump. We shall see.**

**If that seems a bit cynical, welcome to the highly partisan world of US politics, where the electorate is merely a pawn to be played as it suits the powers-that-be on both sides. And please once again allow this is not a political comment on our part... more so view of the *realpolitik*. We are neutral on the potential political impact of the election on the economy and markets until there are any bona fide legislative efforts... stymied so far by partisanship in a contentious election year.**

**Some parts of US Employment also relate back to Thursday's 'A Curious Sort of Runaway Bull' ALERT!! and our previous cautionary words on the underlying economy being fully 'bifurcated' from the ebullient US equities activity prior to Thursday's sharp selloff. There is still a very high number of unemployed, even though the headline number shows this is improving. Yet the Household Survey showed that the recent 3.0 million jobs gained are actually the rehiring of workers previously furloughed, with no net new job creation. There are also 6.0 million Americans on 'temporary furlough'. Any further progress there will depend on the path of the COVID-19 pandemic regarding additional broader reopenings.**

**And among the Nonfarm Payrolls gain of 1.371 million there were 300,000 US government jobs due to the continued hiring of census workers. Those will naturally be reversed later this year. So even if they were built into the estimate, it means there were actually only closer to only 1.0 million jobs gained.**

**As such, it is actually not much of a surprise the US equities are selling off once again today. At this point, the September S&P 500 future is even below its next support around the February 3,397.50 previous all-time high prior to this week's 3,587 highs seen on Wednesday and even Thursday morning.**

**Aside from the sheer magnitude of the selloff, it is important on another level: the establishment of a technical pattern top. With such a significant rally above last week's 3,504.50 Close, the drop well below it (i.e. not just a bit) is establishing a DOWN Closing Price Reversal (CPR) of some magnitude. Had the US equities managed to rally today, that might have been less telling; but they did not.**

**As such, next support looks like the 3,230-00 range we had previous highlighted as the rally resistance into early June, which was subsequently overrun on the rally extension into early August. Yet any sizable recovery from that sort of area, and even a push back above the previous 3,397.50 February all-time high, will need to deal with this newly established significant 3,504.50 DOWN CPR (with a Tolerance to last week's 3,509.50 high on a weekly Closing basis.)**

**And what of the other asset classes? The global govies are taking a breather from their recent sharp recoveries. This is only natural on the improved economic news, especially that unexpectedly sharp drop in the US Unemployment Rate. The same is true for improvement in the US Dollar Index against other developed currencies. And the more upbeat economic news is also boosting the emerging currencies at the same time, outside of a Turkish lira that has secular problems.**

**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/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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