Gmail

Alan Rohrbach <ar.rohr.intl@gmail.com>

ROHR ALERT!! Extended Short-Term US Equities Trend Twist

1 message

ROHR Alert <rohralert@gmail.com> Fri, Sep 18, 2020 at 9:23 AM
Bcc: ar.rohr.intl@gmail.com

Dear Subscribers,
Here we go again… after yesterday's '*Déjà vu* All Over Again' malaprop ALERT!! title, today's would seem a contradiction in terms. Yet it is the case that at times even short-term trends experience a somewhat extended evolution during a consolidation phase. That seems to be exactly what transpired in the US equities over the past couple of weeks, even as the overall down trend remains intact. There will be a more specific review of just what that entails below, after a brief revisit and extension on 'macro' factors driving current US equities weakness.

In a nutshell, the global resurgence of the COVID-19 pandemic, lack of the next relief package from the US government, and the inability of central banks to go beyond their already massively accommodative liquidity operations seem to have combined to continue pressure on individuals and businesses and the global economy in general. This is not anything which we need to explore at length today, as all of the details are in our previous exploration of those influences.

Wednesday morning's OECD Interim Economic Outlook (https://bit.ly/2Fzh3rz) quarterly assessment summed it up. While a bit 'less bad' than previous, it remains a very downbeat overall forward view. It is of note the current analysis eliminated the 'Double Hit' potential from a possible resurgence of the COVID-19 pandemic that does indeed seem to be occurring. A bit below the opening web display is a graph (https://bit.ly/3knSYml) illustrating the partial 'V' rebound.

As noted previous in our other reviews based on extensive sources, that stalls to varying degrees. That graph can also be animated via the '*Play the story*' button to show evolution of projections, including the potential for both some over- and under-performance. It is enlightened that it can also be compared to somewhat more dire original projections back in June. Marginally better now, yet elimination of the 'Double Hit' projection is still questionable under current circumstances.

Note the latest update of the Financial Times 'Coronavirus tracked…' evolving analysis (https://on.ft.com/3gaZ0VI) for the disconcerting (and frankly somewhat depressing) indications of how the pandemic continues to spread. It is of special note how bad things are in Latin America and India, yet with the US also still a significant problem area. Despite recent concerns about a resurgence in Europe, it is obviously doing much better than most of the rest of the world.

What this means to the markets is problematic, yet may at least partially explain the resilience of the euro against the US dollar, and also the degree to which some of the emerging currencies have continued to rally. That said, the continued overall weight on the world economy seems to be reflected in the continued bid in the global govvies, and now the sustained weakening of the US equities.

Back to that extended short-term US equities trend twist, there have been serial attempts by the September S&P 500 future to push back above the 3,400 area previous February all-time high. It had established a very significantly distorted near-term (hourly chart https://bit.ly/3cevpcW) Inverse Head & Shoulders Bottom by the middle of last week that became more important into last week Thursday.

As that annotated chart illustrates, among other aspects the pattern had a very abbreviated right shoulder (RS-1.) A lack of 'conformance' was a key factor in considering it might not be a credible pattern, even as it completed the minimum anticipated price evolution. And indeed, by early Thursday morning of last week it had attempted the most fleeting UP Break above the 3,415 level prior to failing.

Once it was back below the 3,375 low of that right shoulder, the implication was that the recent 3,295 trading low of the break (the 'H' head of the inverse pattern) was not going to remain the low of the selloff after the UP Break was 'Negated'. However, even after a weak finish on Friday of last week, it did not drop below that previous low early this week; and indeed strengthened instead.

We consider this the influence of the classic 'friendly Fed anticipation' of which we have reminded you since early this week. Into later on Monday it was apparent that lack of further weakness was seeing the initial very distorted Inverse Head & Shoulders Bottom being subsumed into a broader H&S Bottom. That used last Thursday morning's 3,424 high as a basis for a fresh, somewhat less aggressive, Neckline (NL-2 https://bit.ly/2REF9n6.) That saw a 3,400 area (already the key old all-time high congestion level) UP Break early Tuesday morning of this week.

While that UP Break was maintained through Tuesday and most of Wednesday, price activity never managed to develop the upside volatility normally associated with a *bona fide* bullish signal. That was already suspect, even if the 'friendly Fed anticipation' had to be respected as likely supporting the market into the FOMC announcement and Chair Powell's press conference. And indeed it lasted right up to the end of the press conference that offered no new radical steps from the already very accommodative Fed… turning into 'Fed disappointment' after that.

By 15:00 EDT Thursday the September S&P 500 future was already back below 3,400 on its way to an early Friday low at 3,320 prior to rebounding. That is how even the 'short-term' Evolutionary Trend View can become extended at times.

Even though it now seems in limbo in the mid-3,300 area, serial failures of recent attempts to reinstate the upward momentum back above the previous 3,397.50 all-time high is not an encouraging sign. If it rallies, the 3,400 area should now be reinforced as trend resistance. If it actually knocks out the 3,295 trading low, the more prominent lower support begins at 3,230-00, with the 3,000 area below that.

For anyone who would like to see a video discussion of this Evolutionary Trend View (ETV) across the past couple of weeks into Thursday afternoon, link into this edited segment (https://bit.ly/32HEurB) from a recent broadcast that we recorded on social market platform Ticker Tocker. They provide us with very good video production and editing services, and you may enjoy this variation of the ETV.

Also as already noted, the September S&P 500 future expires today, with the December S&P 500 future trading at a $10 discount. While not technically very significant, it is another burden bulls now need to shoulder in a soft psychology.

Courtesy Repeat of Thursday's critical consideration
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 rally (as is clear on the weekly chart https://bit.ly/33xG6TM updated through Friday.) Yet it also pushed above that out of late July.

This opened the door to a retest of the February's 3,397.50 front month future all-time high. And after such a major rally back from the February-March debacle, it was hard to imagine the old February all-time high could prevent the front month S&P 500 future from at least taking a look above 3,397.50; and that then transpired on the push above it two weeks ago into the low 3,500 area.

That was also above extended 'adjusted' weekly Oscillator range in the 3,425-30 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 was 3,495-3,500 last week and rises to 3,500-05 this week. Yet the extended key to any 'runaway' bull was a longer term topping line projected across the February 3,397.50 trading high from the April 2010 first major high after the major cyclical 2009 low. That topping line was at 3,535 last week, rising to 3,545 this week.

Aside from the sheer magnitude of the recent selloff, it was important for the establishment of a technical pattern top. With such a significant rally above the previous week's 3,504.50 Close, the drop well below it established a DOWN Closing Price Reversal (CPR) of some magnitude. Along with the topping line, that is now the key higher resistance on any sizable recovery from lower support.

The next significant support after it traded below the February 3,397.50 previous all-time high looks like the 3,230-00 range we had previous highlighted as rally resistance into early June. On the recent attempt to stabilize at no worse than the 3,300 area, the market exhibited a couple of less than credible pattern bottoms.

The latest of those saw a lackluster 3,400 area UP Break early Tuesday morning that has failed in the wake of extended macro factors. That likely indicates last week's 3,295 trading low of the selloff will be violated on the way to lower ground. As a further technical note, the September S&P 500 future expires tomorrow, with the December S&P 500 future trading at a $10 discount. While not technically very significant, it is another burden bulls now need to shoulder in a soft psychology.

Thanks for your interest.

Contact: rohralert@gmail.com