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**ROHR ALERT!! Telling Swings**

1 message

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**Dear Subscribers,**

The 'macro-technical' view tends to amalgamate the global and individual country 'macro' influences (especially the anticipation of their future evolution) with the 'technical' trend picture. The latter is naturally based on what we have designated our 'Evolutionary Trend View' (ETV.) That appreciation of previous decisive price levels is as important for price trend developments as the earlier fundamentals (economic data along with central bank, governmental and NGO announcements, etc.) In fact, when they are aligned, it is a very 'telling' indication for the trends.

That said, there are times when the 'macro' and the 'technical' are not aligned in the near-term. That is the 'bifurcated' psychology we have noted quite often during the past several months between the broader fundamental outlook and technical trend activity for the US equities. It has also been the case in the intermarket activity between US equities and other asset classes, most notably the global govies' resilience during the recent sustained US equities rally.

Yet at some point the global macro factors need to reconcile with the price trend activity in both individual markets and the broader intermarket activity. That may involve a shift in the obvious macro influences which seems to clarify reasons for the previous seeming 'bifurcation'. It is now the case intermarket activity is more so in line with evolving international fundamental factors. Yet a major reason for that newfound clarity is the key influence on which we've continued to focus:

Stubborn resilience of the COVID-19 pandemic. Its recent resurgence, with the prospect of its implications for future global economic growth is a key element. Much as we have revisited it recently, the old market axiom seems to be a major consideration once again: *"The market (which is to say equities) is a creature of expectations."* Up until several weeks ago, the inference from the news and future expectations was things would continue to get better and better in the near-term.

That was despite some initial troubling news on the pandemic front, which the US equities and emerging currencies seemed to shrug off in anticipation of the continuation of an overall 'risk on' psychology. Well, since then the sharp further deterioration of the global COVID-19 infection news has caused a psychological reversal in the trend sentiment. More so than sentiment on any individual data release, there is a sense that this is a broad shift in expectations to 'risk off'.

As we have previously analyzed all of the major 'macro' weaknesses, especially on a forward view, we suggest revisiting recent previous ALERT!!s summarizing those key elements. As just one example, along with a look at some other factors, Wednesday's 'It's Advance PMI Day' ALERT!! reviewed the unexpectedly weak global Services Advance PMIs. This is a window on future likely weakening of retail spending based on both the renewed

**pandemic spread and the lack of adequate relief spending by central governments (especially regarding the US.)**

**So, how does that along with other factors get us around to the psychological global intermarket trend alignment? In the first instance, the obvious implication is that the weakening of US equities might continue for a while if indeed the retail consumer feels more stressed. This relates back to the cynical lack of interest by opposing sides in the US Congress to compromise on a stimulus/relief program. [For much more on that see Wednesday's 'It's Advance PMI Day' ALERT!!]**

**Yet the emerging currencies had held up rather well (some even extending their recent rallies) in the face of initial US equities weakness a couple of weeks ago. Why should they weaken so much again at present if they were ignoring the US equities selloff then? Well, the consideration then was that Europe was still doing better than not in its COVID-19 infection suppression, and that could still keep the global economy firmer than not. All of that changed in the past week or so.**

**It is especially the case on the sharp deterioration of the situation in the UK, with its reimposition of more restrictive COVID-19 suppression protocols. It is now the case the psychology in previously successful European countries, like Germany, is deteriorating as well. And winter is coming (again see Wednesday's ALERT!!)**

**All of which has had a profound effect on developed currencies as well, with the US dollar strengthening. That is less so on any reason for secular greenback strength than the fresh European currency weakness. The US Dollar Index rallying through the key 94.00-.25 resistance area is a direct ETV corollary to the EUR/USD weakness below 1.1700-1.1680 key trend support. Both seem to have room to move further in those directions, reinforced by GBP/USD weakness on the COVID-19 pressure, leaving it back below the important 1.300-1.2800 area.**

**And what of global govies? Well, they haven't exactly surged higher on recent US equities weakness and renewed 'risk off' psychology. Yet they also mostly ignored the previous radical US equities strength up into the early September new all-time highs. This gets back to another market *cliché* we are fond of citing, "*The bond market is the equities smarter older brother.*" While the equities can at times (in fact quite often) trade on exuberant future expectations, the global govies tend to trade more so on more realistic economic expectations.**

**Even in light of the recent lack of overt bullish follow-through after their previous recoveries from August weakness, the global govies have held up well. It was expected (for example) that the December Bund future below the 175.50-.00 area (on its major discount when the September contract expired on the 8th) would hit the lower 172.50 support. It never quite reached it, and has more so been hanging around near that 175.50-.00 area. Will it be able to push back above it to reinstate the bullish trend? That depends on how much worse 'risk off' psychology gets.**

**Yet the broader 'macro-technical' trend psychology had clarified in the context of the return of the 'risk off' psychology which has now also hit Europe. While it is contingent on the continued weakening of economic data, it is possible the US equities can continue to sell off. That may mean the front month S&P 500 future will slide below the 3,230.00 support currently being tested to the more major lower supports. That would be at least 3,030-2,970 area not seen since late June.**

**That perversely fits in with the US dollar continuing to strengthen, more so on pressure against the now less attractive European currencies than any reason for secular greenback strength. That will also add to the recently renewed pressure on emerging currencies after their extended mid-August to mid-September rally.**

**And that's how the global 'macro-technical' picture has coalesced around 'telling' intermarket ETV developments. Weaker US equities is again extremely consistent with a sharp shift to a 'risk off' psychology, That has finally affected Europe in a way that reinforces foreign exchange developments, and continues to support the global govbies that seem to be waiting around to begin rallying once again.**

**This is the 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/35VAPIs> 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 four weeks ago into the low 3,500 area.**

**Aside from the sheer magnitude of the selloff that began three weeks ago, it was important for 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 major DOWN Closing Price Reversal (CPR). 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 last Tuesday that failed in the wake of extended macro factors. That indicated the previous 3,295 trading low of the selloff would be violated, as occurred late last week on the way to lower ground. Follow-through after last Friday's temporary trading below 3,295 has seen the downtrend extend all the way to multiple tests of the 3,230-00 range this week, with a Tolerance to 3,185. Next support is that major 3,030-2,970 area.**

**Thanks for your interest.**

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