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ROHR ALERT!! It's a Wrap and Holiday Notice

1 message

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Dear Subscribers,
While there can always be surprises into a Friday Close for the week, it would seem the US equities have done about what they are going to do this week. Therefore, we are shifting our focus to next week's major mixed month reports and events, which includes all of the late September releases right into the next US Employment report next Friday. Also please accept this as our notification that we will be out Monday for a personal holiday, back in the office on Tuesday.

Yet as far as the markets' price activity, Thursday's 'Telling Swings' ALERT!! summed up how the weaker global macro picture centered on renewed COVID-19 problems in Europe finally being manifested across all asset classes. That was after an extended phase where the renewed global pandemic spread was being ignored by some asset classes; first US equities and then foreign exchange.

The full review of how the US equities struggles over the previous two weeks turned into this week's sustained selloff can be seen in Monday's 'As Expected' ALERT!! That opened with a quick discussion of the previous two weeks' serial failures to sustain activity back above the February highs, which was more fully explained in last Friday's 'Extended Short-Term US Equities Trend Twist' ALERT!!

Wednesday's analysis got back to more of the weakening 'macro' background on soft Services PMIs outside of the US. That continued with Thursday's weakish German IFO and US Weekly Initial Jobless Claims into today's major undershoot on US Durable Goods Orders. As such, it appears weaker economic outcomes are combining with the lack of fresh US COVID-19 stimulus/relief. The latter is now compounded by acrimony over the pending appointment of a new Supreme Court Justice in the wake of the untimely death of Justice Ruth Bader Ginsburg.

The question now for both the US equities in their own right and as an implied driver for overall 'risk on'/'risk off' psychology (now that Europe is weakening) is whether the December S&P 500 future will break the recently vigorously tested key 3,230-00 congestion range? This gets back to the importance of next week's macro influences. While there will be quite a bit of important late month data, the real decisions likely only evolve into next Thursday's even more critical releases.

That kicks off with Thursday's full global Manufacturing PMIs prior to the next round of those US Weekly Initial Jobless Claims and Continuing Claims. Yet the far more important influence will likely be Friday's next US Employment report for the 'month' of September, the last of its kind prior to the November US election.

It is important to note the basis for that report's data as a way to understand why the forward estimates are already calling for a far weaker report than the August report released back on September 4th. As noted that morning in our 'A Curious Sort of Friendly

Jobs Report' ALERT!!, the interesting basis 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*." That is extremely critical into the end of next week.

This is because it will be the mid-August through mid-September data. It is the first monthly period that represents the activity after the previous supplemental $600/week unemployment benefit lapsed on July 31st. As such, it is the likely culmination of what we have characterized as the cynical game Speaker Pelosi and Democrats have been playing. As noted in Wednesday's observation on this "...*ends justify the means*…" approach of the Democrats to the election influence:

"*They hope it will weaken Trump's strong economy argument among the select number of independent voters who will likely decide the presidential election in just six weeks*." And recent data would seem to indicate this 'let the people suffer in the near-term' strategy is working. We shall see if it continues into next week with anticipated further US equities weakness (also an anti-Trump development.)

Aside from any of the US political machinations, the COVID-19 pandemic fallout continues on Americans lack of ability to discipline themselves to accomplish any suppression of the infection spread. The news from Thursday's multifaceted Reuters article (https://reut.rs/3kKPGK3) includes, "...*positive cases rose in half of the 50 U.S. states this month. Ten states have reported a record one-day increase in COVID-19 cases in September, including Montana, South Dakota and Utah on Thursday*." Also, "*All Midwest states except Ohio reported more cases in the past four weeks as compared with the prior four weeks*…"

That is also globally consistent with why the overall psychology has recently turned sharply from 'risk on' to 'risk off', with European deterioration and the newly announced more draconian COVID-19 suppression protocols in the UK. However, market analysts must be guarded about putting too much stock in 'rearview mirror' indications, and always focus more so on anticipation of what is likely coming next. Yet as the Reuters article also notes, "*The United states is currently averaging 40,000 new infections per day. Top U.S. infectious disease expert Dr. Anthony Fauci has said he would like to see the number fall below 10,000 per day before flu season starts in October*." Right, October.

Wait, what?!! October? That's just six days away. So the chance that there will be anywhere near the US COVID-19 infection rate reduction consistent with any real suppression of the pandemic spread is nil… or as the old saying goes, *"Between slim and none, and Slim just left*." October 1st is also the day on which previous proscriptions on US airlines layoffs (based on their earlier relief package) lapse. Thousands of additional layoffs are expected from that previously sheltered industry… unless their additional $25 billion relief request is granted (unlikely.)

So it goes from what many hoped would be US government-supported economic recovery under the next 'new normal' (after that was how the post 2008-2009 economy was described by the estimable Mohamed El-Erian) back to what we have always suggested under COVID-19 pressures would be the 'new abnormal'.

In the meantime, US equities seem to have stabilized at this week's lower levels for now after testing the 3,230-00 historic congestion. That has a Tolerance to the 3,185 area high weekly Close prior to a sustained downside reaction.

Global govvies continue their subdued yet relentless bid. And the US dollar continues to strengthen against both developed currencies and especially emerging currencies on concerns over renewed European and UK weakness.

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/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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