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ROHR ALERT!! Parked for Now?

1 message

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Fri, Oct 30, 2020 at 9:54 AM

Dear Subscribers,

Pressure on the US equities was easy enough to anticipate on the deteriorating 'macro' situation regarding the COVID-19 pandemic spread. However, there is a question into this week's Close over whether the current expectations have been fully discounted for now... at least until further developments into next week's additional pandemic news. While next week is also a major economic release week (global PMIs, quite a bit of European data and BoE rate decision, and of course the US Employment report), those may be less than trend decisive. That is along with the likelihood we will not timely know Tuesday's US election result.

This can already be seen in the various asset classes response to Thursday's slightly better than expected massive US Q3 GDP gain. While there was an intraday recovery from a December S&P 500 future 3,250 new selloff trading low, that only carried up to an afternoon trading high at the high end of the violated 3,330-00 range. In fact, that is where the short-term rally died less than two hours before the Close, and ended the session back down near its 3,280 Tolerance.

This is much akin to our various assessments of regular fundamental data and central bank actions since the pandemic took hold in late February. Our response to the March 3rd initial Fed 50 basis point rate cut was "it's meaningless" in the context of the early pandemic market panic. That left the front month S&P 500 future still failing below 3,000 support after some wild squeezes early that week.

And there was further overnight damage to US equities overnight on continued negative COVID-19 spread drumbeat. After they dropped down to the top of the more major 3,230-00 congestion, they have recovered... back up to the 3,280 area. The strong likelihood is that COVID-19 factors will remain negative into next week after a new high US infection reading Thursday (Reuters <https://reut.rs/3eb4IMH>), with experts warning the outlook remains dire (<https://reut.rs/35HAnMi>) no matter what the President might be saying about the pandemic *"rounding the corner."*

As such, especially in light of the deterioration of the pandemic situation that will certainly suppress economic activity in the Americas and Europe as well (see our Thursday 'ECB Confirms COVID-19 Weakness' ALERT!!), the likelihood is that the US equities will come under further pressure. That leaves the December S&P 500 future most likely to vigorously test the more prominent 3,230-00 range, or even breaking its 3,180 Tolerance on the way to the even more major 3,000 area.

If not failing below 3,280, then it still needs to recover back above the top of the 3,330-00 range in a way that was not apparent on Thursday's intraday recovery. Of note, that was also similar to the Monday-Tuesday inability to sustain any recovery back above the 3,430-00 range after its 3,380 Tolerance was violated.

However, it is now the question into today's weekly Close whether anticipation of that most likely still pernicious 'macro' influence will leave the US equities back under pressure later today into the weekly Close? If so, expect a more aggressive test of the 3,230-00 range into early next week. This would be much as what was seen after the September 16th still quite negative OECD Interim Economic Outlook (<https://bit.ly/2Fzh3rz> with its excellent interactive growth graph <https://bit.ly/3knSYml>), along with the additional disappointment with Fed Chair Powell's press conference (<https://bit.ly/3kpR4BB>) not providing anything new.

Furthermore, this is not just the case for US equities, as the global govies are also closer to key higher resistances (even if not quite there yet.) That is after weakness on the US equities 'risk on' psychology combined with concerns over the potential for greater profligacy if the polls are right about a Democratic US election victory. The US dollar was also plagued by the same combined concerns prior to this week that saw both developed currencies and emerging currencies strengthen markedly over the previous month. While the US Dollar Index has only tested higher resistance, it will be critical on the next US equities influence.

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/34snlxy> 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 late August push above it into the low 3,500 area.

Aside from the sheer magnitude of the selloff in the first week of September, it was important as 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) with a 3,510 Tolerance. Along with the 3,540 topping line, that is now key resistance after a recent 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 with key failures in the 3,400 area (see our September 18th ALERT!! for a full discussion and Evolutionary Trend View fully annotated chart analysis.)

Yet it held that 3,230-00 area once again. And recently surging back above the 3,400-30 area leaves a burden of proof on the bears to get the market to fail back below that area. In the meantime, whether the December S&P 500 future can post serial weekly Closes above first 3,505-10 and ultimately the 3,550 area will decide if it is indeed again 'Risk On' Forever. Yet for now it has violated the key lower 3,380 Tolerance of the 3,400 area (now including weekly [MA-9](#) & [MA-13](#). While it is now dealing with the 3,280 Tolerance of the interim 3,330-00 range, the far more major support remains the 3,230-00 area heavy congestion and the 3,000 area.

Thanks for your interest.

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