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ROHR ALERT!! Continued Uncertainty

1 message

ROHR Alert <rohralert@gmail.com> Tue, Jan 12, 2021 at 10:32 AM
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Dear Subscribers,
We are still experiencing glitches with our data source's charting function, yet are expecting those to be cleared up by this afternoon. That still only allowed for the creation of the weekly front month S&P 500 future chart, and we will be recreating other charts later today as those problems clear up. We apologize for the delay in providing all annotated charts, and discuss other asset classes in this opening.

As noted in Monday's 'Uncertainty Abounds' ALERT!!, what we know right now about US equities sudden reversion to weakness is that a goodly degree of the 'risk on' psychology reinforced by last week's events overall is coming back into question on various fronts. We strongly suggest a read for anyone who has not done so. As discussed in Friday's 'TW3' ALERT!!, while things were tumultuous on many fronts last week, the overall dynamic was a reinstatement of a robust 'risk on' psychology once the Democratic Senate victories implications sunk in.

Yet those are now being questioned due to various influences. Not the least of those is the previously discussed degree to which US equities have to consider (as noted last Thursday) the 'Democratic Sweep NOT a Blue Wave' idea of the slim nature of the Democratic legislative majority. That is compounded by the large number of party moderates who won in 'purple' districts (closely split between 'red' and 'blue' constituents), allowing them to take the House in 2018.

And as we have also noted many times, "*The market* (which is to say equities) *dislikes nothing quite so much as uncertainty*." As an example of the buffering of the Left-Progressive agenda, the idea that there needs to be another round of $2,000 stimulus/relief checks is being challenged by the moderate Democratic Senator Joe Manchin (WV.) He sounds quite a bit more like the Republicans who objected to the recent $600 payments going to every family member of a couple making less than $150,000/year. He says the next round of relief checks cannot be *carte blanche* (i.e. need to be 'means tested' for actual need of relief.)

This is the case on many fronts of the Democratic Party's far flung agenda. In the area of climate change, Manchin's West Virginia is also a major carbon energy producer and user (91% of its electricity generation.) This does not mean he is an outright opponent of climate legislation, yet will want it to be rational and address the needs of the communities in his state affected by any change in standards.

And so it goes on other fronts where the full spending program outlined by the Left-Progressive wing of the Democratic Party will be moderated on the way to implementation of further near-term government stimulus/relief. That said, with the Democratic control of Congress and the White House, we suspect such spending will be forthcoming shortly after the January 20th Biden inauguration.

While there are fears of further very energetic (possibly violent) demonstrations that some Trump supporters are planning into, during and even after the Biden inauguration on the 20th, we have the same Shakespearean view of those as we had going into last Wednesday's activities… "...*full of sound and fury, Signifying nothing*." (The Tragedy of Macbeth, Act 5 Scene 5, 1623.) If they do signify anything, it is the longstanding idea that many folks can be made to believe 'the big lie' if it is told often enough, by enough people, and across a long time.

For those who did not see it Monday, there is also the idea an immediate Trump impeachment will see a Senate trial that will interfere with Biden's very critical early administration legislative agenda. Once again, this is just not so. Please see Monday's assessment for observations from Representative Jim Clyburn (D-SC) on the House's ability to withhold the impeachment article until quite a bit later.

Based on all of that, it is likely the US equities will continue to benefit, and global govvies will continue to suffer. We suspect the March S&P 500 future 3,740 area recent congestion level (seen on misplaced fears of a Democratic-controlled Senate last Tuesday) is likely to still hold on a further selloff below 3,800 despite concerns. That was held despite the more prominent lower support being the 3,700-20 area it had been trading below early last week. Those are now key near term supports.

As far as the other asset classes, the most bothered by what will be some form of greater stimulus/relief spending is of course the global govvies, especially the US. March T-note future is already sagging below the key 136-24 gap from back in the wild swings during the March COVID-19 response. As such a major interim support, we are giving that a full 8/32 Tolerance, meaning only Closes below 136-16 would represent a significant failure. As that is now occurring, it would seem based on March volatility and previous historic highs, next support is not until 135-00/134-16.

This has also had near-term implications for foreign exchange, where the suddenly sharply higher US interest rates not quite matched elsewhere have bolstered the previously vexed US dollar. While other currencies are holding around lower supports overall, the US Dollar Index has ratcheted back up from trading below the low end of the key 89.50-.00 range early last week. While only back up to the low end of the higher 90.50-91.00 area, that at least avoids the critical test of the lower significant 88.25 February 2018 six year low.

Courtesy Repeat of Thursday's critical consideration
[With updated S&P 500 future weekly chart; to be updated Wednesday morning]

Aside from the sheer magnitude of the selloff in the first week of September, it was also a technical pattern top. That is clear on the front month S&P 500 future weekly chart https://bit.ly/39pEsqa (updated through Friday January 8.) Such a significant rally above the previous week's 3,504.50 Close and drop well below it established a major DOWN Closing Price Reversal (CPR) with a 3,510 Tolerance.

The next significant support after it traded below the February 3,397.50 previous all-time high looked like the 3,230-00 range we had previous highlighted as rally resistance into early June. After that held once again, the recent surge back above the 3,400-30 area left a burden of proof on the bears to get the market to fail back below that area. Yet instead the December S&P 500 future posting weekly Closes above first 3,505-10 and ultimately the 3,550 area looks like it is indeed again 'Risk On' Forever. This is confirmation of our estimation the US election would be a win-win for US equities, with the key accelerated bullish influence from the serial positive vaccine announcements since early November.

The near-term question was whether it could hold support at the early-September 3,587 trading high and 3,582 early November Close, with a Tolerance to the 3,575 congestion? Even though it slid below them in early-mid November on US election concerns, those issues clearing up reinstated the 'risk on' psychology.

Above that range since late November left minor congestion resistance in the 3,625-35 range. Also above that pointed to the recent 3,668 all-time high that was exceeded into the beginning of December with a 3,700 new all-time high. While it traded slightly above that into early December, the lack of a Trump signature on the COVID-19 relief package sent it back down to a very temporary late-December test of the 3,600 area. Finally more fully out above the low 3,700 area on a belated 'Santa Claus Rally' late last week, saw it up near the 3,750-3,800 resistance.

However, based on recent weekly Closes, there are elevated weekly Oscillator historic indications. Those December thresholds are the weekly MA-41 plus 520 and plus 550, and based on weekly MA-41 now rising an impressive 30 points per week, those are up to 3,800 and 3,830 this week. And as is often the case at a new extended all-time high, those are presently the only quantifiable resistances, and they are rising over $30/week based on the accelerated rise of weekly MA-41.

And following up on our previous observations, Monday's drop from a new all-time high above the end of December 3,749 weekly Close left a potential for a weekly DOWN Closing Price Reversal. However, this week's recovery from early week jitters has negated that potential, with higher resistances more prominent.

Thanks for your interest.

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