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ROHR ALERT!! Who Cares About Weak Data?

1 message

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Dear Subscribers,

Obviously not very many folks. In the context of recent overall weaker than expected economic releases, there would seem to be an obvious reason why: the forward view has created a 'bad news is good news' psychology. Of course, it is clear from recent market activity what is driving that. As that is intrinsically more important than data itself right now, we cut directly to the market activity chase.

We had noted into midweek last week that it was curious the US equities had pushed up through the previous key near-term congestion from prior to the Reddit driven GameStop short squeeze volatility disruption. That was the March S&P 500 future 3,800-20 area. Yet after pushing above it last Tuesday morning, it seemed stuck at no better than 3,840 through early Thursday morning. It was therefore natural to ask, what in the 'macro-technical' psychology was restraining it after it was already above such a key previous technical congestion area?

That all clarified from lunchtime into the afternoon on Thursday with the further rally that carried right through the previous couple of weeks' 3,862 all-time high by Thursday's Close. What could have been such a significant psychological change that a stalled rally turned so strong in a single session? It is as we had noted in the title of Friday's 'Inevitability Prevails Over Immediacy' **ALERT!!**

We (among others) had been concerned about the Democrats ability to push through President Biden's \$1.9 trillion American Rescue Plan prior to the beginning of ex-President Trump's impeachment trial tomorrow. Yet the early warning on that timing not being so critical came in the reaction to last Wednesday's indication from the Democrats that they would be satisfied with the package passing into early March: US equities were not at all disturbed by that.

Yet the US equities were still somewhat stalled. The difference into midday and beyond last Thursday was a series of key Senate votes on the package that had already been approved in the House. While we suggest a read of Friday's **ALERT!!** for much more on that, the bottom line is that all of the Democrats (including moderates who had signaled some concerns) voted against key Republican amendments, and for the measure overall. That left a 50-50 tie, which allowed Vice President Harris to cast the deciding vote in each case.

It must be allowed that there are some key details which were (likely purposely) left out of the current form of the ARP bill, like the annual income cap on who should receive relief checks, there is now a consensus it will become law and funds will be distributed into mid-March... 'Inevitability Prevails Over Immediacy'. This is also another instance where the old cliché, "*The market* (which is to say equities) *is a creature of expectations*. And the markets (including the other asset classes) are within their rights to anticipate future economic improvement based on the Biden administration's far more robust across-the-board relief.

And if anybody needs more reinforcement for the 'bad news is good news' psychology being in place at present, just consider the recent economic data right into this morning as the US equities make further new all-time highs. It is a bit of a misconception that last Friday's US Employment report was more or less in line on the addition of 49,000 nonfarm Payrolls jobs. That was an estimate which had been diminished from the early week plus 85,000 estimate. We also heard Senator Toomey again crowing about the Unemployment Rate dropping to 6.3%, yet ignoring another drop in the Participation Rate largely offsetting that.

While there are no US economic releases this morning, the news from elsewhere was not encouraging. Limited data out of Asia into Europe (which included very weak German Industrial Production and Euro-zone Sentix Investor Confidence) was very weak below estimates. There are also the concerns over the COVID-19 virus variants, especially the UK B.1.1.7 more highly contagious and fatal form. Those are the sorts of things which might blunt the effectiveness of the Biden relief plan. Yet that would be several months down the road, and the markets are inclined to have faith in the positive relief spending impact prior to that.

It is much akin to the initial concerns over the potential for Democratic tax hikes that caused a very temporary bearish flurry in US equities on January 5th, once it became clear they were unexpectedly going to prevail in both of Georgia Senate runoff elections. Yet back then as well the March S&P 500 future pushed up into the 3,800-20 area for a new all-time high. It seems that already Brodningnagian central bank accommodation linked with the now almost assured passage of the also very large Biden ARP program is feeding a 'risk on' psychology.

That is despite the remaining pandemic risks and Democratic plans for corporate tax hikes at some point in the future. And the 'expected' return to normal growth psychology along with all of the extra fiscal stimulus (outside of the US as well) is impacting the global govies in a negative way. The March T-note future has just retested 136-16 Tolerance of its 136-30/-24 weekly Area Gap support from back during the wild March 2020 swings. While it had recovered after slippage below it into mid-January, this is not a bullish sign overall, and Europe is worse.

On the developed currencies the US Dollar Index was back above the 91.00 area Tolerance of 91.23 earlier last week, which would speak of 'risk on' psychology coming back under pressure. Yet it did not finish the week above 91.23, and is currently in flux in the 91.00 area at present. Also reinforcing the return of the 'risk on' psychology was last week's return of a stronger bid in the emerging currencies after a previous brief recent bout of weakness. As such, it seems that more consistent upbeat anticipation is back in force, as 'inevitability' of more stimulus seems to be globally prevailing over any critical 'immediacy'.

This is the critical consideration

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/2YYXQ8A> (updated through Friday.) 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' saw it up near and ultimately above the 3,750-3,800 resistance.

However, based on previous 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 25 points per week, those are up to the 3,925 and 3,955 levels this week. Those are more realistic near-term targets now that the March S&P 500 future has recovered back above 3,775 area minor congestion and more prominent 3,800-20 range for the current push above the past several week's 3,862 previous all-time high.

Thanks for your interest.

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