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ROHR ALERT!! Big Data Day

1 message

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Dear Subscribers,
While not as big as some other economic release days in other weeks, or even the serial releases seen into the end of January and last week's first week of the month, today is the major data release day of this week. That is into the far more limited releases Thursday (even if it includes recently more important US Weekly Jobless Claims) and a Friday dominated by UK data (GDP and related figures.)

And this morning has continued the mostly weakish global data from earlier this week on Asian, European and US inflation and French Industrial Production, prior to a +1.2% upside surprise in US Wholesale Trade Sales above its +0.5% estimate. The other upbeat indication was Tuesday morning's monthly Organization for Economic Cooperation and Development's Composite Leading Indicators (https://bit.ly/36Yod2Z for our marked-up version.) And while it was undeniably upbeat outside of the UK (with its dual COVID-19 and Brexit influences), that is within a current troubling caveat. That is the future path of the global economy being dependent on the outcome of the battle between the COVID-19 pandemic and accelerating vaccination programs… with the latter still lagging for now.

See Tuesday's 'OECD Upbeat… With a Caveat' ALERT!! for more on that overall psychology, which is being offset in the near-term by the prospect of the passage of the Biden ARP COVID-19 stimulus/relief proposal. That is despite some of the latest Democratic Party cross currents, which hint at a range of problems that might affect the necessary full support of all fifty Senators. We also suggest a likely solution, and believe it will be passed in something near its original form.

As noted since the late part of last week and revisited in Monday's 'Who Cares About Weak Data?' ALERT!!, the near-term hopes are hinged on the prospect of major US COVID-19 stimulus/relief passing Congress by early March. The unified Democratic Party Senate votes last Thursday reinforced the expectation that this package would pass as something close to (if not indeed fully as) the $1.9 trillion original Biden proposal. Therefore, despite the additional key intermediate-term (6-9 month) risks raised by the recent development of more infectious COVID-19 variants, the near-term (3-5 month) US equities outlook remains upbeat.

This has been broadly expressed in the markets as a return to a unified 'risk on' psychology spreading into foreign exchange and global govvies as well. The US equities have seen the March S&P 500 future aggressive push above the 3,800-20 area last Thursday (on those unified Senate Democrat votes) above the previous 3,862 all-time high to its 3,925 lower extended weekly Oscillator threshold, with the full extension up at 3,955… and those are still rising $25 per week.

The prospect of all that extra fiscal stimulus (outside of the US as well) has been impacting the global govvies in a negative way as well. 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 weakening well back below 91.00. While there is recent congestion just below 90.00, more major lower support remains 89.50-.00 tested in early January.

The emerging currencies also remain firm, reasserting the bid they regained after a sizable January downside correction that faded into the end of the month. It is now the case that firm US equities along with a weaker US dollar on the fading of any 'haven' bid along with weakening global govvies equals sustained 'risk on'. And that is likely to maintain as long as prospects for Biden's American Rescue Plan remain upbeat in the US Senate… which we will be closely monitoring.

Another Courtesy Repeat of Monday's 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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