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ROHR ALERT!! Holiday Wrap

1 message

ROHR Alert <rohralert@gmail.com> Fri, Feb 12, 2021 at 10:39 AM
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Dear Subscribers,
It's off for the US Presidents' Day holiday long weekend in the US Monday closure of all markets. Along with the full week official Chinese New Year observation into next Thursday (with the extended holiday lasting another week), that has left the markets churning after recent aggressive trends. In fact, that has been the case for US equities since earlier this week after their previous impressive surge.

This is not necessarily a surprise, as any further evolution of the Biden ARP COVID-19 stimulus/relief plan is also stalled on the Senate shift of focus to the Trump impeachment trial since Tuesday. Whether the Democratic moderates will have telling issues with the House Ways and Means Committee's Progressive-Left agenda leaving the previous elevated annual income caps on eligibility for the full $1,400 stimulus checks is yet to be seen. That is important in the current 'bad news is good news' psychology reinforcing the need for the ARP program. (Please see Tuesday's ALERT!! for the full discussion of the issues at hand.)

And the further 'weakish' news continued during today's UK centered economic releases, as the extensive range of data associated with the UK GDP was a bit better than expected, even if that meant 'less bad' than still downbeat estimates. However, the disparate asset class tendencies noted in Thursday's "Bifurcated 'Risk On' Churn" ALERT!! have been reversed to some degree on the global govvies weakening once again on those slightly better than expected indications.

Also contributing to the still weakish economic data was this morning's US Michigan Consumer Sentiment (very contemporary data) coming in at just 76.2. That is versus an estimated improvement to 89.8 from last month's 79.0. It is another sign of current waning of economic activity and sentiment that flies in the face of Republican opinions based on previous data the economy is quite strong.

As such, the near-term psychology remains 'bad news is good news' on the reinforcement for likely passage of the Biden ARP program. That will be an interesting focal point in the wake of the completion of the Trump impeachment trial (likely early next week) on the Democratic moderates support for ARP when the Senate gets back to business. If there is any resistance on their part, it might the hiccup in the recent sustained 'risk on' psychology. In the meantime, that lack of any further review of the ARP is likely part of the reason for a lack of direction.

The intermediate-longer term psychology also just got a boost from the Biden administration's purchase of another 200 million COVID-19 vaccine doses, which portends the potential for all vulnerable Americans to be fully vaccinated by July. While that is only playing catch-up for the previously less than effective vaccine deployment, it is an improvement from the less aggressive Trump administration.

While the other currencies have backed off just a bit from their previous bid against the US dollar, their trends remain up overall; especially in the emerging currencies. Yet the slightly better than expected (even if still weak overall) UK data is weighing on the global govvies. As we have noted previous, the global govvies appear to have shifted into bear markets after their multi-decade rallies (from the mid-1980s lows) that culminated in the March 2020 COVID-19 blowoffs.

That is on the overall anticipation finally shifting to a higher probability of inflation returning in the context of Brobdingnagian central bank accommodation being enhanced by the likely additional government fiscal stimulus. That is regardless of whether that will be very incremental into at least the later part of this year. To the degree that economic releases are important again to any degree as well, next week brings quite a bit of inflation data. Wednesday's extensive UK figures may be quite important for the already weakest sister UK Gilts.

Govvies sharp weakness today on what was still weak international data, and especially the weaker US T-note into and after that soft Michigan Sentiment reading, are warning signs the market is seeing more than the near-term data. That said, the near-term influence from the fortunes of the Biden ARP proposal will still likely be a significant arbiter of the global govvies immediate psychology.

As such, it will not be a surprise on the return of the Senate next week that the full 'risk on' psychology (greater strength for US equities and weaker global govvies and US dollar) might return as long as the Democratic moderates are still on board for Biden's ARP program. Even if there is some resistance to it, the key will be whether that is on any issues which can be readily addressed That might bring that temporary hiccup in the 'risk on' psychology, which can then get quickly back on track as soon as the later part of next week and beyond.

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.

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 3,950 and 3,980 levels next 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 previous several week's 3,862 previous all-time high. The last two areas are projected support if there is any near-term 'risk off' hiccup.

Thanks for your interest.

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