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ROHR ALERT!! Back to Bifurcation... With a Twist

1 message

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Dear Subscribers,

This is most interesting, as the 'risk on' factors seem to be waning again in the US equities, yet this is being accompanied by pronounced weakness in the global govies after only a one day bounce on Wednesday. As noted in Wednesday's 'Inflation Impacts... Sort Of' ALERT!!, that govies recovery was perversely in the wake of better economic data (especially in the US) and hotter than expected inflation figures for both the US and UK. This was not necessarily a big surprise, as it was the noted inverse market axiom to classic, *"Buy the rumor, sell the fact"*, yet on Wednesday it was more so a case of *"Sell the anticipation, buy the fact."*

It is also reasonable that the global govies should be sliding again today on the release of the surge in US Import and Export Prices. This seems to highlight a risk in the impact from Mr. Biden's ARP COVID-19 stimulus/relief proposal still likely getting through Congress in something near its \$1.9 trillion form. Yet that is also in the face of much higher than expected Weekly US Unemployment Claims at 861,000 versus a drop to 765,000 expected. While it might be expected that would buoy the global govies, the current focus seems to be on inflation.

The global govies weakness in the face of some still weak data brings the overall 'macro' psychology into view, with the question of whether the March S&P 500 future will be able to survive this week's current retest of its recent 3,890-85 support. That has a Tolerance to last week's narrow range 3,878 trading low, and will also be an overall barometer for whether the 'risk on' psychology is fading.

This is because this week so far has seen a 3,959 new trend all-time high, and is lower on the week from last week's 3,931 Close. And last week's 3,878 trading low is also just a hair below the previous more bullish week's 3,880 Close. Two of the key requirements for any DOWN Closing Price Reversal that is potentially being signaled with this week's current lower activity is that it is substantial (as in dropping further than just the upper 3,800 area), and that it violates reasonably important previous support. The 3,880-78 area qualifies on both counts.

Also important will be whether the shift to a near-term 'risk off' psychology also stanches the global govies weakness. If not, then this will remain a 'bifurcated' psychology compared to the classic counterpoint between the US equities and the global govies, where the latter should be reacting positively to the return of any substantial 'risk off' indication. The alternative would be that for the first time in a long while, the global govies are in control of the trend psychology.

That would see the lower prices there leading the US equities lower on the worries about continued higher yields. That said, there is also the key current indication from the pandemic perspective that is actually quite friendly for US equities and the global economy, which seems to have been overlooked by the markets due to some official skepticism: the

potential much higher efficacy of the current vaccines than previous assumptions. According to this morning's update of a Reuters article (<https://reut.rs/3s2zRC6>) it is actually fairly astounding.

It notes that a letter published in the New England Journal of Medicine that... *"Pfizer's vaccine had an efficacy of 92.6% after the first dose."* It further notes... *"These findings were similar to the first-dose efficacy of 92.1% reported for Moderna Inc's mRNA-1273 vaccine."* Whoa!! Much like the market overlooked the implication of the COVID-19 stealth contagion risk back in late January 2020, might it be missing the positive implication of this research at present?

That would indeed be another game changer on the path back to something akin to pre-COVID normal. This would therefore have implications for why the US equities should be able to continue their rally once the current reaction has run its course. Yet that might also spur further global govvies weakness, which could be an impediment to any aggressive US equities strength. The question under immediate review would seem to be whether the March S&P 500 future can indeed weather the current test of that 3,890-85 area with its 3,878 Tolerance.

That will likely be the best indication for whether the recent 'risk on' psychology survives, or flips over into at least a near-term 'risk off' sentiment. In that regard, it is also notable that just of late the emerging currencies have also given up some of their previous global economic 'risk on' gains. And all of this will see a further impact from the recently more prominent 'macro' economic data releases on Friday, in the form of global Advance PMIs... it's going to be very interesting.

Another Courtesy Repeat of Tuesday's critical consideration
[To be updated after Friday's global Advance PMIs]

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/3jVlvzt> (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 weekly MA-41 plus 520 and plus 550. Based on weekly MA-41 now rising an impressive 25 points per week, those are up to 3,950 and 3,980 this week (Friday Close-based.) Those are more realistic near-term targets now that March S&P 500 future has pushed above the previous 3,862 all-time high after the GameStop volatility whipsaw down to 3,700 support.

Thanks for your interest.

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