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ROHR ALERT!! Equities Turn More Erratic

1 message

ROHR Alert <rohralert@gmail.com> Mon, Mar 8, 2021 at 11:43 AM
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Dear Subscribers,
Under the auspices of a '*good news is bad news*' psychology, sooner or later the US equities were capable of diverging from the clear influence of the weight of the aggressive near-term bear trend of the global govvies. That finally happened in the wake of Friday's much better than expected US Employment report.

While the US equities were higher early, that only carried back to the recent important March S&P 500 3,800-20 congestion prior to dropping back below the 3,802 near-term top downside Objective. It is of note that this had held on serial selloffs since two weeks ago, right into and after Fed Chair Powell's extremely accommodative two-day Congressional testimony. It was the confirmation of our advice in the 'Not a Powell Put' ALERT!! back on the morning of February 23rd.

And that carried on through that week, and even into the sharp rally back into the low 3,900 area in the first half of last week. All of that said, we need to allow that in the context of the extended global govvies weakness the US equities were continuing to range back into their higher resistances. However, once the front month S&P 500 future violated the multiple tests of the 3,800 area, it was more likely they might remain under pressure. Yet that is not what transpired.

As such it represents a more erratic activity than seen previous, even on the outsized rallies back from lower technical levels prior to last Friday. It is now the Evolutionary Trend View case that the US equities might continue to trade above and below some nominal key price levels… sort of a technical trend variation that is equivalent to 'coloring outside of the lines'. It seems that having been led lower by global govvies weakness (i.e. higher yields) they are reacting to 'good' news.

This is always possible when any given asset class is being led by another asset class in activity that is contrary to its own fundamentals, like recently improving US (and to a lesser degree) global economic data still seeing US equities and also emerging currencies come under pressure. And the latter remains a proverbial 'fly in the ointment' of US equities recovery, as the emerging currencies are still weakening despite US equities rebound. That is a warning sign the US equities rally may still be suspect. We will have more tomorrow on why that might be.

For now there is the dual conundrum of the US equities rebound through such an obvious March S&P 500 3,800-20 congestion technical failure, and the continued weakness of global govvies that would seem to have further to go. Today's drop in the March T-note future after Friday's rebound leaves it back at the top of the key lower 133-00/132-16 support. While quarterly expiration is not until two weeks from today, the June T-note future is already a half point below that support.

And as far as global govvies quarterly expirations go, we always stress the early and often substantial differential for the Bund. and the March Bund future expired this morning at 11:30 GMT (05:30 EST) at 173.97… well above the recently tested 173.00-172.50 congestion support. Yet a nearly 3.00 discount (bearish anticipation likely to blame) in the June contract leaves it trading down below the 171.00 area.

That is obviously well below that next lower support, and closer to the 170.50-.00 range next interim support, with the more major support into lower congestion in the 168.86-.00 area from the summer 2016 previous all-time high. All of this points to the likelihood the global govvies will likely trend a bit lower, or maybe even swing down even more substantially over the intermediate-term. (See that February 23rd 'Not a Powell Put' ALERT!! for a full inflation and yield discussion.)

Might it have been possible to anticipate US equities divergence from the global govvies pressure to consider more erratic activity around technical trend levels? As noted above, even their previous ranging back into their higher resistances was consistently respecting the technical levels. This seems more like a case of only knowing it is happening (and will likely continue to be the case) until it actually occurs. It reminds us of five families meeting from '*The Godfather*'.

In the first of the series, Godfather Don Corleone (Marlon Brando) is riding back from that meeting with only his quasi-adopted son and consigliere Tom Hagen (Robert Duvall.) Hagen wrongly suggests that the more obvious other family is behind the attack on the Corleone family. The Don responds, "*Tataglia's a pimp. He could never have outfought* (murdered Corleone son) *Santino. But I didn't know until this day that it was Barzini all along*." Markets are like that sometimes.

Much like when markets are in the process of forming patterns (like the recent March S&P 500 future short-term Head & Shoulders Top) or there are intermarket stresses like the significant global govvies negative influence on the US equities (and others), sometimes the actual development needs to be seen to incorporate future expectations for similar activity into our Evolutionary Trend View (ETV.)

What does this recent ETV development mean in practice? As it relates to the US equities, the continued 'good' news like today's US Wholesale Inventories and especially the Wholesale Trade data means that the market can shake off the weight of the higher yields at times. Even if the US equities might remain weak on further yield increase anticipation, this might mean a more gradual down trend. Based on the lower lows since mid-February, the March S&P 500 future is by definition in a down trend. Yet also based on those lower lows (including Friday's violation of the 3,800 area), the idealized daily down channel is at 3,860 today.

That is buffered by daily MA-18 up into 3,875 area over the next couple of days. Therefore, as impressive as the rally back from Friday's 3,720 sharp selloff low may appear at a full $150 higher, the question now is whether it can maintain the upside momentum, or turns today's nominal 3,860 UP Break. As we always note in both education and real-time analysis, the technical trend signals will NOT tell us what the market is GOING to do. They can only indicate a key price area and point in time where the market is SUPPOSED to be doing something, and we need to watch and use our experience to determine if the signal looks bona fide.

This is also going to be especially interesting in the context of the just released upbeat CDC guidance on what current vaccination progress means for 'gathering' of the 'fully

vaccinated' population. This should also be great news for economic reopening, yet within limitations and cautions. The latter is the key to what we will be discussing tomorrow on how this still limited vaccination progress will play into the current state protocol adjustments and other COVID-19 implications.

In the meantime, that additional just released 'good' news does indeed seem to be putting more pressure on the global govvies, and emerging currencies (outside of the Crude Oil-inspired ruble) are slipping again as well. Of course, this reinforces the return to a US equities versus the rest of the world 'bifurcated' psychology that is going to be especially interesting after last week's swings.

Courtesy Repeat of Friday's updated critical consideration (updated chart)
[Much the same. Update after Tuesday's OECD INterim Economic Outlook]
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/38gNaas (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.

On recent form, March S&P 500 future dropping below key near-term 3,880 area congestion support was a near-term Head & Shoulders Top DOWN Break. It is of note that the nominal 3,802 Objective was seen twice late last week prior to this week's significant recovery. Also of note is the 3,931 Tolerance of that DOWN Break, which was seen last Wednesday prior to the Friday slide back down to the 3,800 area. As 3,931 could not be exceeded once again on the rally this week, the near-term market activity was likely to see the next drop back to the 3,800 area.

As that weakness has led to the violation of that 3,802 Objective and the overall drop back below the 3,820-00 congestion (prominent since the drop from those highs returns into the GameStop volatility), more prominent supports as global govvies continue to exert pressure are in the 3,700 area (the lows held during the GameStop volatility), the 3,600 area

congestion, and even down into the 3,500 area… the Negated September CPR top and weekly MA-41 into next week.

Thanks for your interest.

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