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ROHR ALERT!! Bifurcation Contention

1 message

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Dear Subscribers,
Well, the US equities finally did it. The front month S&P 500 future has traded to a 3,980 new all-time trading high today so far, only slightly above mid-February's 3,959.25 previous high that was only neared last Thursday. And after expressing concern about it not making a new high on Thursday's push above key 3,931-35 resistance (see below), we might stand accused of splitting hairs on the limited degree of today's new high. That is except for one key technical aspect:

There is a key weekly Oscillator threshold associated with the ground slightly above the old high into the 3,970 area. That is the previous prominent Oscillator extensions from August and November 2020 at 425 and 450 above weekly MA-41. The higher of them translates into a slightly rounded up 3,970 for the front month S&P 500 future on a weekly Closing basis. So, in fact the slight push above the February 3,959.25 previous high is not as yet convincing for an upside jailbreak.

The other factor on the weekly Oscillator is both very good and yet still a bit challenging for the bulls. On one hand, if the market should escape the current resistance, the next Oscillator thresholds are not until $100 higher. That's into the 4,040 and 4,070 levels this week, and MA-41 is still moving up $20 per week. It is the case however that this is also a factor which leaves the near-term Oscillator thresholds up into 3,965 and 3,990 next week. This means any push above 3,970 this week (if indeed it occurs) will still need to push above the 4,000 area into next week in order to reinforce upward momentum, and the 'big penny' psychology.

Yet having come this far, what might possibly derail the US equities strength. Well, for one thing today's much weaker than expected US Retail Sales were not going to do it. In the first instance, even though larger than expected, the sales pullback from the knockout January number based on the December US relief package flows was wholly expected, and was likely exacerbated by the major US storm impact into February. It seems to be that it was just worse than expected.

Also on current psychology is another round of 'friendly Fed anticipation' for Wednesday's FOMC announcements and press conference. It is not like anyone believes there will be new programs from a Fed that is already 'all in' on major accommodative measures. Yet whether markets are expecting 'something' and are then deflated in the wake of whatever Chair Powell has to say is a possibility.

The further support comes of course from the additional spending anticipated from the implementation of the Biden ARP stimulus/relief plan. That will very likely have the same sort of impact as December's relief package had on January consumer spending. Yet much of that is already 'priced in' to the current US equities and other asset classes. As such, we need to ask what might be the outlier influence which can weigh on US equities and others in this context?

Well, as we have been noting over the past week or so, that would be a COVID-19 resurgence based on quite a few US state governments going all the way in lifting pandemic suppression measures just as one new variant (B.1.1.7) is spreading rapidly in key areas. Noted in Monday's 'Priced for Perfection Again?' ALERT!! was the degree to which it is especially bad in Florida, which coincides with the risks compounded by the calendar: that means weeks of Spring Break. For much more on this, please see that analysis and last Tuesday's 'Bright Line COVID-19 Caution' ALERT!! This should play out over the next two or three weeks.

The 'bifurcation' comes in with the activity of other asset classes that are not reflecting the degree of 'risk on' that must be anticipated to allow for a continued extension of the US equities rally. There are other developed currencies that have suffered of late not gaining ground on a more upbeat global economic outlook.

Emerging currencies are gaining some additional ground, yet are also only back to some of the key resistances they retraced from last week. And most curious of all, any durable return to 'risk on' psychology should be weighing on the global govvies, which are cleaning up a bit after their renewed weakness into the end of last week. While we need to allow this is a minor recovery after previous major damage since mid-February, it is still counter to sustained 'risk on' psychology.

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/3vtARSu (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 was 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, the March S&P 500 future flop back down last week from right near the major mid-February 3,959.25 front month future all-time high was very striking in possibly leaving a 'Double Top'. Yet today's push to new high ground mostly eliminates that. More important now is a key weekly Oscillator threshold associated with the ground slightly

above the old high into the 3,970 area. That is the previous prominent Oscillator extensions from August and November 2020.

Those are 425 and 450 above weekly MA-41. The higher of them translates into a slightly rounded up 3,970 for the front month S&P 500 future on weekly Closing this week. So, in fact the slight push above the February 3,959.25 previous high is not as yet convincing for an upside jailbreak pending the weekly Close. The other factor on the weekly Oscillator is both good and yet still challenging for the bulls.

On one hand, if the market should escape the current resistance, the next Oscillator thresholds are not until $100 higher. That's into the 4,040 and 4,070 levels this week, and MA-41 is still moving up $20 per week. It is the case however that this is also a factor which leaves the near-term Oscillator thresholds up into 3,965 and 3,990 next week. This means any weekly Close above 3,970 this week (if indeed it occurs) will still need to push above the 4,000 area into next week in order to reinforce upward momentum, and the 'big penny' psychology.

Thanks for your interest.

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