Gmail

Alan Rohrbach <ar.rohr.intl@gmail.com>

ROHR ALERT!! A Matter of Degree

1 message

ROHR Alert <rohralert@gmail.com>
Bcc: ar.rohr.intl@gmail.com

Fri, Mar 19, 2021 at 10:16 AM

Dear Subscribers,
Well, the weaker US equities alternative we shared in Thursday's 'HUZZAH!! Monster Growth with No Inflation' ALERT!! seems to be the case. That is versus the potential for the front month S&P 500 future (June as of this morning) to more definitively overrun mid-February's 3,959.25 previous all-time high. While it is not necessarily confirmed until today's Close, there now seems to be a front month S&P 500 future weekly DOWN Closing Price Reversal (CPR) below last Friday's 3,942.25 Close. However, on the weekly chart (through last Friday below) there is a pending 'matter of degree' which is critical to the strength of the DOWN signal.

While activity through Thursday was a new all-time 3,988.75 rally high, the market now well below last week's 3,942.25 Close is the classical definition of a DOWN CPR. Yet the late week drop so far is less than really impressive: from $46 higher on the week to only $50 lower (at the time of this report.) So quite a bit will still rest with whether the June S&P 500 future remains under pressure, and Closes below the lower 3,881 previously Negated Head & Shoulders DOWN Break.

On the other hand, any significant recovery back up toward 3,942 will weaken the strength of the DOWN signal, leaving it more likely to be Negated in future on any sustained activity back above that area. The DOWN CPR Tolerance is very interestingly at last week's 3,958.50 high, very near mid-February's all-time high.

However, what we know is that the Fed is neither helping today, nor was all of its accommodative communication into obvious burgeoning inflation expectations helpful in the recent past. This goes back into Wednesday morning's 'Failure Swing Into the Fed' ALERT!! and previous analysis. That was more contentious than expected into positive Powell messaging Wednesday, yet is now the case.

A short-term view of the June S&P 500 future activity after the FOMC and Powell press conference reconfirms a classic tendency. The Fed influences markets in the event of their meeting and press conference, yet with the critical period extending over the next 24 hours; which is what transpired out of Wednesday afternoon into that exact same period Thursday. This is clearly articulated in an annotated short-term chart (https://bit.ly/3r8ClhC.) Wow, exactly 24 hours!

And this morning's confirmation the Fed supplementary leverage ratio (SLR) more accommodative pandemic bank reserve requirement will expire as planned on March 31st is not helping the FOMC accommodation underpin the US equities. That is despite continued Fed Powell messaging on the need to keep short-term rates low, even though it encourages higher longer-term rates on inflation fears. Our analysis of this goes back to the February 23rd 'Not a Powell Put' ALERT!!

That said, the weaker US equities are seemingly putting at least a temporary floor under the global govvies, if not exactly making up much of their recent slide. It is therefore curious that emerging currencies are holding up very well after their recent strength on the FOMC and Powell press conference. We wonder how long that will last if a full 'risk off' psychology resumes, even on a temporary basis.

Of course, the 'stealth' issue we have focused on for two weeks is the steady advance of a new COVID-19 pandemic threat (March 9th 'Bright Line COVID-19 Caution' ALERT!! and much subsequent analysis.) This is still a burgeoning threat in this fraught calendar period (Spring Break into Easter), and is finally catching the attention of the mainstream financial press. As such, just as we had previous concerns on this week's 'failure swing' to only a modest new S&P 500 all-time high without much follow through, it feels like the path of least resistance is now down. And the 'matter of degree' may be more apparent by today's Close.

Courtesy Repeat of Thursday'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/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.

However, should the front month S&P 500 future fail to sustain activity above the old high, the lower supports revert to interim 3,931-35 area Negated resistance, which is interestingly a bit below last week's 3,942 front month S&P 500 future weekly Close. As such, and failure below it late this week would be a fresh weekly DOWN Closing Price Reversal, even if that will be a matter of degree. The next lower support is the 3,881 Negated Head & Shoulders Top DOWN Break, with the key 3,820-00 H&S Objective and congestion (think GameStop) below those.

Thanks for your interest.

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Contact: rohralert@gmail.com