Gmail

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

ROHR ALERT!! Anatomy of a Failure Swing

1 message

ROHR Alert <rohralert@gmail.com> Mon, Mar 22, 2021 at 11:31 AM
Bcc: ar.rohr.intl@gmail.com

Dear Subscribers,
While it was not fully apparent until late Friday activity, US equities finally confirmed their near-term failure despite serial rallies under various influences. As noted in Friday morning's 'A Matter of Degree' ALERT!! and previous analysis over the past two weeks, the less than confident price activity in US equities had been flashing warning signs. That was initially on the lack of any new all-time high above mid-February's 3,959.25 previous all-time high two weeks ago after Negating the 3,931-35 dual resistance. That said, any 'failure swing' confirmation could only come after the typical 'friendly Fed influence' last Wednesday.

To facilitate full discussion we suggest a look at the annotated short-term June S&P 500 future chart into very early trading this morning (https://bit.ly/3lDwdfW in fact the electronic trade opening Sunday evening.) And it is important to note that until Friday's expiration March contract was 'front month future' at roughly $10 higher than the displayed June contract prices. Again noting the 3,931-35 dual resistance, that was both the mid-February 3,931 weekly DOWN Closing Price Reversal followed by a short-term Head & Shoulders Top right shoulder Tolerance at the same level. While not displayed on this chart, they were very important.

This is due to near-term performance of those two indicating the mid-February 3,959.25 previous all-time high was possibly a durable high for a bigger selloff. However, the March S&P 500 future only ranged temporarily (one day) below the 3,820-00 area prior to recovering in the wake of initial 'good news is bad news' activity after the March US Employment report. That left the door open to retesting the higher resistances. Along with other factors, the ECB confirmation of its 'QE Forever' on March 11th left the US equities buoyant again above those noted resistances. That should have signaled a swing well above the old high.

Yet that was clearly not the case into that week's stall into the old high, and then US equities struggled to sustain activity above 3,959.25 previous all-time high by more than $10 (both a natural rule of thumb and key weekly Oscillator level) through all of last week. This was the further indication that Negation of the 3,931-35 dual resistance might be more of a 'failure swing' than full bullish signal.

There was even atypical weakness into the FOMC announcements and Chair Powell's press conference last Wednesday (14:00 EDT and after.) In fact, it was only on revised economic projections that the March S&P 500 future pushed back above the old 3,960 area high, further encouraged by Powell's statement that US growth was likely to be very strong and any inflation would be very transitory. That not only caused a further push higher during Regular Trading Hours, but fomented a new March contract overnight 3,989 all-time trading high that evening.

Yet then various factors conspired to drop it back into the 3,960 area Thursday. Might that have been the renewed weakness of global govvies to new near-term trading lows (higher yields) after they bounced on the Powell inflation perspective on Wednesday? Or was it the renewed COVID-19 pandemic spread risk we had noted for weeks in the wake of quite a few US states lifting pandemic suppression measures (very likely prematurely)? The latter was reinforced by the return to more draconian measures in Europe that had reopened too early as well as the press coverage of the increasing US Spring Break mayhem into late last week.

In any event, the June S&P 500 future held not too much worse than 3,960 area through Thursday morning, and temporarily spiked back up to it into lunchtime (March contract was of course trading $10 above it.) However, by right after lunch it fell sharply back not just from that area, but also below the previous week's 3,942 weekly Close. As discussed previous (Friday's ALERT!! and other analysis leading into it), it was important it also fell below there due to that establishing a fresh weekly DOWN Closing Price Reversal (CPR.) Of note that has a Tolerance at the previous week's high, most interestingly 3,958.50, right near 3,960 again.

Of course, the strength of that DOWN signal was as noted in Friday's ALERT!! title: 'A Matter of Degree'. As noted there, after a temporary spike down below the lower 3,881 previously Negated Head & Shoulders DOWN Break it was recovering into midsession near the 3,920 area interim congestion. Had it recovered much further on Friday, it would have been a very questionable weekly DOWN CPR.

It would have run from an overnight front month future 3,989 new all-time trading high ($47 higher on the week) back down to less than $20 lower on the week. However, finishing Friday under pressure into a 3,900 weekly Close (which was $42 lower on the week) left a more prominent DOWN CPR from 3,942 level. Along with its Tolerance to the 3,960 area, it is now once again a significant stumbling block to any bull trend extension, and full resumption of the 'risk on' psychology.

While this transpired well beyond the proverbial 'Ides of March', there is another cautionary view worth revisiting: beware the 'friendly Fed psychology'. While it was not apparent this time, there is often an anticipatory FOMC bid in the US equities, last week shows this can also occur right on the event of the FOMC announcements or press conference. The rule of thumb for healthy skepticism on Fed (or any other central banks') missives is that a knee jerk response to central bank influence can be wrong. There is typically a 24 hour window to allow any participants who want to buy into the central bank perspective to 'buy in'.

What is striking in this case is the 'influence' window having been just about exactly 24 hours prior to the central bank missives wearing off prior to the market reflecting the broader trend influences we noted above. We suggest another look at the short-term chart (link above) to see just how the critical Evolutionary Trend View (ETV) went from the potential to maintain higher ground on the week (and therefore not exhibit any weekly DOWN CPR at all) and again rechallenging the mid-February 3,959.25 previous all-time high. Yet the late Thursday drop led to the front month future (June on Friday) 3,942 weekly DOWN CPR into Friday.

It reminds us of an old adage, which relates to being patient and making sure the full ETV has developed prior to drawing too many price signal conclusions. It is not the case in American baseball that there is a clock ticking, versus a system based 'outs" (failure of the batting team to get on base.) And there is a chance for a somewhat miraculous rebound late in any game, especially even as late as the ninth (final unless there is a tie) inning. As the

late-great New York US baseball player and manager (and Master of Malapropism) once noted on this quirk of the game, "*It ain't over 'til it's over*." Sometimes the markets are that way as well.

Repeat of Thursday's critical consideration (updated S&P 500 chart)
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/3f37L6s (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.

NOTICE: The Rohr International, Inc. research team or its principals may already have entered positions or have orders working based on this view.

This Current ROHR TREND ALERT!! will be available soon via the sidebar at www.rohr-blog.com for Gold and Platinum echelon subscribers.

Please reply **'Unsubscribe'** if you no longer wish to receive these emails.

Contact: rohralert@gmail.com