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ROHR ALERT!! It's a 'Push' Into the Weekend

1 message

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Dear Subscribers,

As noted in Thursday's 'Critical Psychological Inflection Phase' ALERT!!, there are changes to the trend drivers in various asset classes. The bottom line is that the 'risk on' psychology has recently taken a serious hit, yet further confirmation of any US equities near-term downside follow through is elusive at present.

There is atypical very apparent lack of any positive impact from the Fed's serial indications it will remain very accommodative. Yet, there was a lack of a more definitive failure after the generally bearish June S&P 500 future failure back up into its test of last week's 3,942 weekly DOWN Closing Price Reversal (CPR) all three days into midweek. That was in anticipation and then the extended event of the Tuesday-Wednesday 'J&J Show' (Jay and Janet.) This is consistent with last week's post FOMC announcements and Chair Powell's press conference activity, when US equities acted well until almost exactly 24 hours after Powell was done. (See Monday's 'Anatomy of a Failure Swing' ALERT!! for much more on that.)

And it was much the same this week once J&J were done on Wednesday, with a notable exception: instead of continuing to weaken this week, the June S&P 500 future is recovering back to higher on the week (i.e. above the 3,900 area) after Thursday morning's temporary violation of lower 3,880-70 support. Of course, that is pending whatever transpires between now (10:00 EDT) and the weekly Close at 16:15 EDT. As last week Thursday demonstrated, anything can happen.

Yet we still see the weakness of US equities as a problem in its own right now that it is obviously not being driven as it was previously on the weakness of global govies. It is in fact very interesting that those are weakening again despite weakish US economic releases today, possibly driven by recently atypical stronger than expected European data. Yet the overall trend psychology remains quite 'bifurcated' across the major asset classes. If Europe is doing better, why is the US Dollar Index overrunning its recent 92.00 top and continuing above 92.50 into a challenge of the even more critical 92.75-.85 (including weekly MA-41)?

And why are emerging currencies that had finally begun to give up more of their 'risk on' bid late this week (after two weeks of strength and stubbornly keeping the bid early this week) not regaining more ground against the greenback? Additionally, why is the alternate 'haven' currency Japanese yen continuing to strengthen in its sustained rally all year, and especially over the past six weeks? And is current global govies weakness transitory, or will it extend next week?

Instead of getting any clarity again late this week like we were provided at the end of last week, it is all still quite a conundrum. And despite last week's front month S&P 500 future 3,942 weekly DOWN CPR, there is a cautionary word for the bears on the recurring investment cycle: the beginning of Q2 next week and following that into the post-Easter

period is a natural US equities investment flow period. That is because of the automatic or advisor-driven reinvestment of dividend payments along with other factors. So while we remain skeptical of US equities, unless there is a Closing violation of 3,880-70 soon it may remain more of a trading market than an outright sharp correction into lower bull trend support.

Courtesy Repeat of Thursday's 'Critical Psychological Inflection Phase' ALERT!!

Well, current intermarket activity is most interesting at present, and reinforces the extended 'macro' influences we have suggested might take hold in US equities for a while (more below.) Yet after all of the 'friendly Fed influence' we have noted of late (since our March 17th 'Failure Swing into FOMC' ALERT!!), there was the potential for upbeat Fed expectations and reaction to be transitory rather than a durable US equities bull trend driver. And that has turned out to be the case.

The sheer Evolutionary Trend View (ETV) across the full range of asset classes now confirms the US equities near-term topping out. That is after the post-FOMC and Powell press conference major upbeat assessments of strong economic growth and only 'transitory' inflation. However, from last Wednesday into early Thursday the new front month S&P 500 future all-time high was only a transitory event under the ROHR 24-hour 'friendly Fed influence' protocol, as expected.

[Monday's 'Anatomy of a Failure Swing' ALERT!! Included the fully annotated post-FOMC ETV short-term chart <https://bit.ly/3r8ClhC>, highlighting the limited duration of the 'friendly Fed influence' at just about exactly 24-hours this time.]

The question was then, "*What do we look for next?*" Any reversal pattern like the front month S&P 500 future (June since Friday) 3,942 weekly DOWN Closing Price Reversal (CPR) succeeding has two requirements. Obviously the first is that it is not violated, and the second is that there is subsequent downside follow through below the next incremental trend support. On the first, rallies from the beginning of this week into Wednesday were likely on more of the 'friendly Fed influence' anticipation, and the fact of various Fed speakers and Congressional testimony.

Fed Chair Powell along with new Treasury Secretary Yellen were due to testify on Biden's stimulus and relief plan. There were obviously also going to be questions on the economy and inflation. And as expected, Powell strongly reiterated his previous stance on the strong economy and only transitory inflation, supported by Yellen. As noted in Wednesday's 'The J&J Show Continues' ALERT!!, this is ultimate confirmation the Fed is no longer the 'guardian at the gate' on inflation. It has evolved into a market participant on many levels. (We strongly suggest a read of that for anyone who missed the review of extended Fed history.)

Yet how does all of that market dismissal of the old adage "*Don't fight the Fed*" (i.e. you cannot be bearish while the Fed is broadly accommodative) play into the current US equities and other asset classes ETV? Quite simply, the recently operative 'received wisdom' that a strong US equities market was only weakening due to the anticipatory influence of higher yields is shifting into something else.

And we are not questioning that previous psychology, as we were big proponents of it out of the mid-February global govies violation of support into their major selloff (i.e. sharply higher yields) right into the beginning of this week. That the yield escalation was more aggressive than during other early global govies trend reversals was the likely driver for US equities discomfort during that period.

Yet after June T-note future took over as front month on Monday (March contract expiration) below significant 132-00 area support, it is now recovering back above it; likely on US equities independent weakness. And that is the key to the 'Critical Psychological Inflection Point' title of today's ALERT!! If weakness of US equities was due to the downside leadership of global govies, why are they weakening further now? The only answer must be that there are other factors at work.

The most likely culprit we have highlighted for a while is the market having an expectation that the aggressive dropping of pandemic suppression measures by so many US states was possibly quite premature. Please see our March 9th 'Bright Line COVID-19 Caution' ALERT!! for our early warning on something which is becoming more of a concern. While the proverbial 'proof in the pudding' on that is pending into extended Spring Break and Easter potential resurgence of COVID-19 new cases (especially in the context of the B.1.1.7 variant in Florida), there are rightful concerns about extensive near-term round trip travel to Florida.

And in terms of sheer ETV, June S&P 500 future has now failed right into that 3,942 weekly DOWN CPR level on the 'friendly Fed influence' rallies all three days early this week (i.e. into and during the Powell-Yellen testimony.) Yet by late Wednesday it was already back below the 3,900 'big penny' to the top of the 3,880-70 congestion that is the next key congestion. Much below that on a weekly Close will further reinforce the implications of the DOWN CPR, and leave the door open to a selloff extension to lower supports at 3,820-00, mid-3,700 area or lower.

The weekly Closes in the global govies will also be very interesting. As noted above, the June T-note future only took over as front month on Monday. As such, its weakness below the significant 132-00 area support is so far only 'intra-week'. As the most important trend indications are on a weekly Close, the current recovery back above it sets up the potential for a lack of a literally 'significant' (i.e. an actual trend signal) violation of support with plenty of room to rally.

The same is true for the June Gilt future that does not even expire until Monday. Trading all the way down to the low 127.00 area late last week has been reversed back above the key interim weekly chart 128.00 support. That leaves quite a bit of room back up to the more prominent 130.00 area violated congestion. And the June Bund future that became front month future earlier this month at a major discount (-3.00) is back up into the low end of the 173.00-172.50 congestion.

All of this global govies strength serves to illustrate the degree to which the US equities are definitely anticipating other bearish factors than higher long-term yields on their current slide. Yet it all still amounts to a reversal of the recent resilient 'risk on' psychology. That is apparent as well in the US Dollar Index pushing up through its 92.50 four month trading high from two weeks ago.

That was the top for a weekly 91.98 DOWN CPR. Negating that DOWN signal reinforces recent strength against other developed currencies on what seems to be a 'haven' bid (except against co-'haven' currency Japanese yen) that occurs during periods of stress... a further sign 'risk on' psychology is troubled now. Should the USD Index breach 92.75-85, the next resistance is not until 94.00 area.

Emerging currencies had recently been more resilient (outside of the central bank psychology plagued Turkish lira) in holding onto some of their impressive gains over the previous two weeks. Yet even there they are beginning to show some cracks this week in

their recent 'risk on' psychology. While churning in a broader range, that can be seen in South African rand on the USD/ZAR grinding back above the 15.00 area (also weekly [MA-9](#) & [MA-13](#).) The Mexican peso has seen USD/MXN recover back above the 20.60 area this week (also weekly [MA-9](#).)

Further activity is likely dependent on the US equities. Yet it must be allowed they are now exhibiting independent weakness rather than being led lower by global govies, as was the case out of mid-February into mid-March. This is why we are going through what is surely an ETV 'critical psychological inflection phase'.

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/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 previously 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 stalled into the old high, and then US equities struggled to sustain activity above the 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 govies 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 (front month as of Friday) held not too much worse than 3,960 area through Thursday morning, and temporarily spiked back up to it into lunchtime. However, by right after lunch it fell sharply back not just from that area, but also well below the previous week's 3,942 weekly Close. [Please see the fully annotated short-term June S&P 500 future chart into very early Monday morning trading (<https://bit.ly/3IDwdfW> in fact Sunday evening.)]

That was important insofar as it established a 3,942 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. 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. That is being reinforced by further weakness below the lower 3,880-70 range, with lower supports at 3,820-00 and the mid-3,700 area.

Thanks for your interest.

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