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ROHR ALERT!! Steady Bid Favors Bulls

1 message

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Dear Subscribers,
While there is still a marginal risk to the economy and US equities from the COVID-19 B.1.1.7 variant spread (see Monday's 'Runaway or Over-Extension?' ALERT!!), the overall indications are positive in a way that is supporting the extended bid for now. There was also a more upbeat assessment on Tuesday (see our IMF WEO and Technical Signal Quirk ALERT!!) from IMF's World Economic Outlook ((https://bit.ly/3cYwBDj for the full report and https://bit.ly/3rZiHoI for IMF Chief Economist Gita Gopinath's very informative press conference and Q&A.)

Into today there have also been comments from several key business people on sustained growth due to the extent of projected US fiscal stimulus. Among the most prominent was JP Morgan CEO Jamie Dimon's annual letter looking for the boom to extend into 2023 due to some government stimulus lasting that long. While he also cites high US equities valuations and some societal and possible inflation problems as potential issues in that expectation, he is more so upbeat for now. That means the residual 'flies' won't spoil the 'ointment' right away.

This is apparent in the broader multi-asset class Evolutionary Trend View (ETV) over the past several days. After strong post-US Employment report US equities activity Friday, the June S&P 500 future has kept its bid up very near Monday's 4,073.75 front month S&P 500 future new all-time high (exceeded on Tuesday to the 4,076 level.) Unless and until there is more downside volatility back toward the low-4,000 area psychological and technical level, there is every reason to believe it can push up to next weekly Oscillator thresholds at 4,110 and 4,140.

Please see Tuesday's ALERT!! for much more on the technical analytic 'quirk', which explores why lower levels near 4,000 and that psychological 'big penny' itself are more critical than usual based on recent activity. Yet as we explained there, the question now is whether there will indeed even be a selloff back into those levels anytime soon? If so, the question over whether the US equities are at least a moderate upside 'runaway' or have been overextended will be clear.

And despite the very impressive acceleration of the US COVID-19 vaccination program since President Biden took office, the current aggressive spread of the B.1.1.7 variant is the most obvious proverbial potential 'fly in the (bull market) ointment' … especially as many states with total reopenings (especially Spring Break centers like Florida, Texas and California) are b.1.1.7 hotspots. Once again, here is a link to CDC COVID-19 Data Tracker (https://bit.ly/3rw4eAb.) Even noting the April 1st new cases rise to 74,912 that approached key levels from last July, the 7-day average seems to be topping out short of last Summer's levels. If that continues to be the case, it will certainly be more US equities good news. Yet the B.1.1.7 variant is spreading to northern states (CDC map: https://bit.ly/3cWY0Fz.)

All of that said, it is important to note that the other 'risk on' indications seem to be continuing for now. Foreign exchange is seeing gains in recently weak developed currencies, leaving the US Dollar Index dropping back below its 92.75-.85 area, even if the currently tested 92.30-.00 range is more important. It is also the case that the recently stronger emerging currencies continue to gain ground in an orderly manner, always a more prominent 'risk on' indication.

That said, the global govvies are not painting nearly as upbeat a 'risk on' picture insofar as that should bring price pressure (i.e. higher yields) due to stronger growth and inflation expectations. Yet after taking some pressure in Friday's US electronic trade after the strong US Employment report, they are recovering at present in the face of the extended US equities strength. Obviously, here as well we will need to wait to see more of the European debt activity as a context. However, that remains a 'bifurcated' part of the market psychology for now.

Courtesy Repeat of Tuesday'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/3cOCa72 (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.

While that might have been a sustained top, 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, along with 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 that 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. 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. Yet then various factors conspired to drop it back to 3,960 area that Thursday. June S&P 500 future (front month since March 19th) also fell sharply below the previous week's 3,942 weekly Close.

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. However, a strong US Employment report pushed it up into higher 4,010 and 4,035 resistances. Overrunning those levels on Monday leaves next weekly Oscillator thresholds into 4,110 and 4,140 (with MA-41 now rising $25/week once again.) Yet the potential for there to have been an UP 'Runaway Gap' on this week's opening (see above) leaves low-4,000 area 'big penny' psychology more critical than usual on any near-term selloff.

Yet the potential for an UP 'Runaway Gap' on this week's opening (see Tuesday's ALERT!!) leaves low-4,000 area 'big penny' psychology more critical than usual on any near-term selloff. If that holds, the extended daily Objective is 4,193, with the weekly Objective (based on the rally from the 3,720 selloff low) of 4,316.

Thanks for your interest.

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