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ROHR ALERT!! Much the Same with a Twist

1 message

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Dear Subscribers,

As noted in Friday's 'Risk-On Cracks?' ALERT!!, there were some inconsistencies showing up in the 'risk-on' psychology that had driven the US relentlessly higher. That was especially since the runup into and then the fact of the much better than already aggressive expectations for the US Employment report on Good Friday.

As was also expected, yet likely not fully reflected, in the US equities and other asset classes was the significant reaffirmation of accommodative policy from the Fed despite the current economic strength. That this is also the same for the other major central banks creates a more global 'risk-on' reinforcement. It is also the case some developed economies are also going through a reopening after stringent COVID-19 suppression measures in recent months, especially the UK.

That said, and as noted in Friday's ALERT!!, beyond the significant success of the very highly accelerated vaccination program, the US news is worsening into the serious deterioration of the situation in the rest of the world. Please see last Thursday's very good Associated Press article (https://bit.ly/3t6v4jR) on many new record numbers of COVID-19 cases. Of course, that is a risk on the degree to which it might trigger the reimposition of economic restrictions outside the US.

And it is different from the UK in Europe that is still struggling with a pandemic resurgence for now. It is even more of a concern for US equities and the potential global economic impact that the US also seems at risk of a COVID resurgence at present as well. That is on the back of calendar implications of US Spring Break into Easter travel, as we predicted since some US states aggressively lifted pandemic suppression protocols (including masking) at the beginning of March.

We once again share the key CDC graph (https://bit.ly/3rw4eAb) on overall new cases that are obviously at a very critical juncture. It is now back up to the top of the new case surge last Summer, with last Friday's 81,376 topping it. We noted last week that the 7-day average seemed to be topping out, yet was critical. It is now trending higher once again, right up into last Summer's highest levels.

There is also a state-by-state B.1.1.7 variant spread map (https://bit.ly/3cWY0Fz), which shows the sadly predictable spread out of key hotspots we highlighted back in March (the 'Spring Break Factor') to more aggressive expansion into the Midwest and Northeast, and now even Washington state. Additionally, the B.1.1.7 variant is more contagious, and far more troubling in its symptomatic infection of previously unscathed younger people. Yet there are in fact a couple of twists.

The first is the symptomatic infection of younger people who are more physically fit is less likely to cause hospitalization in many cases, and very much less likely to result in death. That may not account for the longer-term health problems showing up in approximately a

third of the folks who get the disease (even those who are asymptomatic.) Yet it will not likely create a call for return of quarantines.

The far more upbeat perspective on containment of the currently still troubling impact of COVID-19 are the recent therapeutic developments. In a CNBC interview this morning (https://cnb.cx/3da8jWQ) Regeneron CEO Dr. Leonard Schleifer laid out the very impressive test results leading to a request for EUA from the FDA to use REGEN-COV as an early phase symptomatic treatment… and even its use as a prophylactic in those not showing symptoms. That is in addition to a vaccine effort which is gaining ground, yet is not preventing still rising infection levels.

The case is made that even the aggressively accelerated vaccination programs in the US (and soon hopefully in the global areas lacking in vaccines) are not going to completely address the pandemic spread. That is especially as it generates new variants (like more infectious and pernicious B.1.1.7), where the therapeutics can take the pressure off hospital systems and lessen the need for restrictions.

Based on previous reporting we have seen for months, therapeutics are one of the more overlooked likely effective ways to address the extreme forms of the COVID-19 pandemic. If they should be more broadly adopted, and prove equally as effective in the real world as the tests would suggest, it will be a further 'game changer' for the US and global economy. As such, while we are continuing to monitor the current state of the COVID-19 resurgence in the US for any signs of the need for renewed pandemic restrictions that we do not believe are priced into the various asset classes, we will also be watching this potential for therapeutics to change the calculus on that along with key economic releases this week.

On current form, having rallied as far as they have, US equities should be running into key weekly Oscillator thresholds at somewhat higher levels. That is the June S&P 500 future into the 4,135 and 4,165 area this week. That said, also due to the degree of the rally above the 4,000 area (including the nominal 4,021-15 weekly UP Runaway Gap last week), any selloff back to that 'big penny' support area will likely be met with significant buying, even on renewed pandemic restrictions.

That said, the other asset classes remain much the same as last week as well. While there is some resilient buoyancy in the global govvies, it is important to note that they failed in late March. That was after a rally to resistance on the Fed's sanguine inflation view, and again after Friday's hotter-than-expected US PPI.

That likely makes Tuesday's combined next monthly OECD Composite Leading Indicators prior to the US CPI (08:30 EDT) very important for the global govvies. That said, there will be further important central bank influences and economic data throughout the week, including Wednesday's Fed Beige Book and quite a few readings on global inflation. Yet Tuesday will be the immediate key.

In foreign exchange the US Dollar Index parking itself against and into the key 92.30-.00 congestion (with a Tolerance of 91.70 into weekly MA-9) for the past several sessions is obviously a sign of the 'risk-on' psychology being on the cusp for now. This is also reflected in a modest bit of weakness seeping back into emerging currencies after their recent rallies out of two weeks ago into last week.

In fact, it all feels like it is on the cusp, and the broader macro factors which appear to be so constructive at present still need to be closely monitored for any changes, immediately on

the US inflation influence on Tuesday. That is especially also on the conflicting COVID-19 pandemic developments noted above.

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/3a3B4m9 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 had a Tolerance at the previous week's high, most interestingly 3,958.50, right near 3,960 again. However, after overrunning that the previous Friday, a strong US Employment report pushed it up into higher 4,010 and 4,035 resistances. Overrunning those levels last Monday leaves next weekly Oscillator thresholds into 4,135 and 4,165 this week (MA-41 now rising $25/week.)

Yet the potential for there to have been an UP 'Runaway Gap' on last week's opening (see the chart) leaves low-4,000 area 'big penny' psychology more critical than usual on any near-term selloff. That 'Runaway Gap' on last week's opening (see last week 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 3,720 selloff low) of 4,316 beyond the 4,135 and 4,165 weekly Oscillator thresholds.

Thanks for your interest.

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