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ROHR ALERT!! Lotsa Macro and J&J

1 message

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Dear Subscribers,

This morning was meant to be a fundamental influence inflection point. That is due to close order release of the Organization for Economic Cooperation and Developments (OECD) Composite Leading Indicators (CLI) (<https://bit.ly/328QuB0> for our mildly marked-up version) at 06:00 EDT followed by a stronger US NFIB Small Business Optimism at 07:00 EDT, and then the US CPI at 08:30 EDT.

That was in the wake of major international economic data like a weaker than expected Chinese Trade Balance (albeit on stronger imports that may be good for the balance of the global economy), slightly weaker than expected UK GDP and associated figures (not a huge surprise due to the just lifted COVID-19 lockdown) and weaker than expected German ZEW Surveys. Of note so far this morning, (aside from the J&J vaccine halt) the slightly higher than expected US CPI is not damaging global govies that have rallied back near resistance (lower yields.)

That removes any negative influence from that asset class on the US equities, which is thereby a net positive. What is equally as striking is the lack of any sustained negative impact from CDC and FDA temporarily suspending the use of the Johnson & Johnson COVID-19 vaccine due to a very limited number of nonetheless serious blood clotting instances in the wake of vaccinations. While it caused some knee-jerk selling, that reversed into a steady market by 10:00 EDT.

Reinforcing our instinctive feeling that this was not a major event, there was a very informed view from the estimable ex-FDA head Scott Gottlieb this morning on CNBC (<https://cnb.cx/3tejflJ>.) He makes several good points, the first of which is that the FDA did NOT revoke Emergency Use Authorization (EUA), as it was only temporarily suspended. This is likely in the health authorities mandate to exercise 'an abundance of caution' on whether there are more, milder cases.

Aside from all that, there is the degree to which this is a syndrome which has only shown up in women between 18 and 48 years of age. It is a bit concerning that it is a very obscure reaction which even calls for non-standard treatment of these particular types of blood clots. Yet short of finding more widespread milder cases, it is statistically not an outsized effect. There have been only six cases in the more than 6 million vaccinations: literally a 'one in a million' chance.

If that is confirmed, it would mean these cases are consistent with the naturally occurring incidence of this type, even if more life-threatening than run-of-the-mill blood clots. Yet the overall impact on the US vaccination program is negligible, especially due to the J&J vaccine so far only being a minor component of that overall effort. There is also the degree to which the J&J vaccine guidelines can be changed to address not providing it to those in the vulnerable population.

And of course, there are the increasingly available alternative vaccines, even if they are double dose vaccines versus the advantage of a J&J single shot. That is allowing for the risk that those in the 'vaccine hesitant' population will now have reason not to take one of the vaccines. Yet even if that group demures from the J&J vaccine, it is broadly acknowledged the point is near where there will be more than ample supplies of the others, and therefore not any major impact.

That broader availability of vaccines and effective developed world distribution (with the rest hopefully to follow timely) has also made it into the recent OECD Composite Leading Indicators releases. Highlighted in our markups in today's release is the repetition of *"...changing measures to contain Covid-19 and the progress of vaccination campaigns are likely to engender higher than usual fluctuations in the underlying components and result in possible revisions."*

That said, with even recently vexed UK and France improving, it is going to remain a more upbeat global picture without some more extensive interruption. And as also noted of late, the now aggressive spread of the B.1.1.7 variant in the US is the most likely threat. This was noted in Monday's 'Much the Same with a Twist' ALERT!! (repeated below), where Regeneron therapeutics are the 'twist', and we also still encourage monitoring of CDC COVID-19 sites (links included.)

The bottom line for now is the degree to which the US equities have already recovered today from the surprise CDC and FDA announcements, even if after its impressive rally the next June S&P 500 future weekly Oscillator resistances are as nearby as the 4,135 and 4,165 areas this week. Yet the overall 'risk-on' psychology remains in flux on the US Dollar Index only slipping marginally below its key 92.30-.00 area (Tolerance 91.70.) Emerging currencies remain subdued after stalling against important congestion levels in the wake of their recent rally.

Yet as noted above, the global govvies shaking off any negative impact from the slightly hotter than expected US CPI in the wake of Friday's hotter PPI is at least the lack of negative influence on US equities. That said, it is important to keep in mind they failed recently from important resistance, and can't be trusted.

Courtesy Repeat of Monday's 'Much the Same with a Twist' ALERT!!

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 govies, 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 govies. 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.

Courtesy Repeat of Monday'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/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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