



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

ROHR ALERT!! Constructive Fed-ticipation

1 message

ROHR Alert <rohralert@gmail.com>
Bcc: ar.rohr.intl@gmail.com

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Dear Subscribers,

As the front month S&P 500 future is now easily overrunning the lower 4,135 of the weekly Oscillator thresholds set up at the top of its rallies in December, that only leaves the higher 4,165 threshold this week. Yet even exceeding the lower threshold represents an aggressive bull trend extension of \$170 since the 3,965 weekly Close overran the topping activity set up during the churn near 4,000 in early-mid March. That may be reinforced by this afternoon's Fed Beige Book.

How can US equities be this strong after such choppy activity since the 3,500 area resistance was overrun back in early November? As usual with such matters, it is the 'confluence' of factors that builds on the previous positive influences once the more negative potentials are mitigated. Summarizing those elements, the November new high was based on the much better than expected COVID-19 vaccine trial results, with obvious implications for the future.

That is on the return to 'normal' (even if 'adjusted normal') with significant economic implications after the pandemic suppressed activity. That was also around the time of the US general election, with its promise of more proactive US government involvement in the vaccination effort (as has definitely transpired.)

Fast forward to the present after all of the temporary negative factors (Trump temporarily refusing to sign the December relief package, the late-February GameStop goofiness, resurgent COVID-19 infection rates), and the US economy (as well as the global economy) seems to be ending up in a better-than-expected place regardless of recent concerns. That is substantially on the back of the likely passage of the Biden infrastructure plan in one form or another (even if less than the full initial proposal) on top of the stimulus and relief from his ARP plan.

The latter, along with lifting of many pandemic suppression measures, yielded more upbeat economic indications than were expected even in the buoyant US. Potentially greater than expected US Employment gains in coming months are just as much a 'risk-on' psychology driver as the strong recent indications. It is still a matter of the old axiom, "*The market* (which is classically meant to mean equities) *is a creature of expectations.*" And as even our cautionary view needs to now allow, potential acceleration of COVID-19 early infection 'therapeutics' usage is a real 'game changer' even if vaccines will not be 100% effective across time.

Please see Monday's 'Much the Same with a Twist' ALERT!! for much more on the latest Regeneron news, and an interview regarding its FDA application for an EUA for its REGEN-COV therapeutic after significantly successful trials. If it may soon be the case that monoclonal antibody therapy will be that much further trusted and used, then our previous concerns about the recent COVID-19 B.1.1.7 variant rapid spread in the US may not be as negative a factor as we had feared.

Along with that on the key 'forward view' are the recent indications not just from current data, but also the 'split' perspective of NGOs, like the early March major OECD interim Economic Outlook (<http://bit.ly/2xQTogU>) and last Tuesday's IMF World Economic Outlook (<https://bit.ly/3cYwBDj>.) In a still not fully recovered world economy each of those included an upside alternative, which is based on the continued successful acceleration of the global vaccine program. That said, neither of them mentioned the role expanded therapeutics usage might play.

As such, changes in the global economic equation are already apparent in the major central banks sacrificing any near-term inflation constraint on the altar of more extensive growth (and the promise inflation can be controlled), and the various governments' commitment to continued fiscal stimulation (even if somewhat rightfully characterized as 'relief'.) It all spells accelerated growth that should assist earnings in the short-term, even if there are risks in the Biden administration tax hike plans in the intermediate-term (i.e. 2022 expectations.)

Even with all of that constructive overview into what will likely be an upbeat Fed Beige Book this afternoon (14:00 EDT), it remains important to consider the latest USCOVID-19 resurgence. Once again the key CDC graph (<https://bit.ly/3rw4eAb>) on overall new cases remains at a very critical juncture. It was recently back up to the top of the new case surge last Summer, with last Friday's 81,376 topping it. However, it is now improving, and the 7-day average seems to be topping out.

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. That still bears close observation for now.

The bottom line is a June S&P 500 future push above the 4,135 weekly Oscillator threshold points to the 4,165 area is this week's all-time high weekly Oscillator based on the farthest rally extensions back in December prior to the reaction. However, weekly MA-41 which is the basis for the weekly 'difference' Oscillator is still rising \$25 per week. That points to it rising to 4,190 next week, notable for thereby reinforcing last week's daily UP Runaway Gap Objective of 4,193.

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.

In foreign exchange US Dollar Index parking itself into, and now slipping below key 92.30-.00 congestion and its 91.70 Tolerance (also weekly MA-9) is a sign of the 'risk-on' psychology gaining strength if still critical later this week. This was also reflected in a modest bit of weakness seeping into emerging currencies after their recent rallies to resistance, yet with 'risk-on' strengthening again at present.

Courtesy Repeat of Monday's critical consideration

[To be updated after today's Fed Beige Book and Thursday's economic releases]

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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Contact: rohralert@gmail.com

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