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**ROHR ALERT!! Monster Macro... and Thera-Mania??**

1 message

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**Dear Subscribers,**

**There is little doubt the combined 'macro' factors are very encouraging for the US equities and other manifestations of 'risk-on' psychology. While somewhat less than obvious in other asset classes until this week, that has all resolved in favor of the bulls. Even beyond blowout Retail Sales and many other US indications (with a few notable exceptions) was this morning's better than already expected major growth in Chinese GDP and Retail Sales. However, classically there can be some sense of exhaustion, and a downside reaction, after quite a bit of upbeat economic data was already anticipated into the current market phase.**

**Yet for all of the extension of rallies in both US equities and other asset classes like emerging currencies (always a good barometer of 'risk appetite') and even to a lesser degree the developed currencies, there is no sign of a US equities top... not even on a near-term basis. Of course, that is being aided and abetted by the recent recoveries in global govies. That is even after this week's global inflation data coming in as strong as expected, yet no hotter. Evidently they are content to accept the Fed's (and other central banks') view that inflation will be transitory.**

**Even with all of that in mind, there is the degree to which the old axiom still holds, and "*The market* (classically meaning equities) *is a creature of expectations.*" Is it really that the future 'macro' data and corporate earnings can be that much better than even what was recently seen? Possibly, and there is much discussion of just how much things are going to be fine as long as vaccination programs continue to gain ground, leading to the long-term suppression of the COVID-19 pandemic.**

**However, that is still a 'race' rather than a 'done deal'. So the question arises, just why are the US equities so phenomenally strong? Sometimes 'macro-technical' market analysis is a matter of 'deduction', with a 'macro' conclusion on how the key factors will affect the price. Yet at times the 'technical' trend aspect informs our view based on something the price trend is telling us that is a bit unusual.**

**Even given last week's front month S&P 500 future 4,015-4,021 UP Runaway Gap for new trend and all-time highs at the very beginning of the week, the magnitude of short-term strength of June S&P 500 future this week was worth reassessing. The overall perspective is that, yes, the weekly UP Runaway Gap pointed to extended higher Objectives (daily chart 4,193 and weekly chart 4,316.) However, there was no correction of the straight line rally this week from serial new highs.**

**Think about it, the June S&P 500 future Negated medium-term February-March topping activity with a late-March sharp rally to Close the week ending March 26th above both the 4,142 and 4,160 areas (DOWN signal and Tolerance of that signal.) From that 3,965 Close, it has rallied straight up slightly more than \$200. Not only has that been aggressive in its own right, but also lacking in two-way volatility.**

Since that 4,015-4,021 UP Runaway Gap there have been some brief periods of sideways trading, yet no reaction of more than \$25 from any new all-time high. This is not normal activity where there are still risk factors out there which have lifted to some degree, yet might still cause a problem. And as noted repeatedly since early March, current circumstances are not pointing toward the elimination of the pandemic, with a more troubling resurgence globally and in the US.

Once again we share the CDC COVID-19 cases graph (<https://bit.ly/3rw4eAb>) which remains at a very critical juncture into the top of the new case surge last Summer. While the 7-day average seemed to be topping out, it is now above those levels as well. There is also a state-by-state B.1.1.7 variant spread map (<https://bit.ly/3cWY0Fz>), which we have shared recently. It still shows the sadly predictable spread out of key hotspots into the northern climes.

There is also a warning sign on the degree to which the vaccination programs might not ultimately be the solution many hope for. In his April 1st comments made public Thursday, Pfizer CEO Albert Bourla said people will “likely” need a booster dose of Covid-19 vaccine within 12 months of getting fully vaccinated. (See the CNBC article <https://cnb.cx/2Q07VSb> for more on this key topic.)

This also goes to the degree to which existing vaccines may be less than fully effective against new COVID-19 variants, especially with so much of the world remaining unvaccinated. So how can the US equities ignore this risk? In fact, there is a question over whether vaccine protection lasts more than 6 months.

Quite simply, as explored at length in Thursday’s ‘Imagine... It’s All Good’ ALERT!!, along with what will hopefully be more extensive, timely testing programs (especially in the previously deficient US), there is a way to prevent the very damaging lockdowns and quarantines: COVID-19 therapeutics. If the existing COVID-19 virus and even any new variants can be countered with the means to prevent severe illness and death, it will likely go a long way toward confidence that economies can remain open as the health problems can be mitigated.

In the 1967 movie ‘The Graduate’, new college graduate Benjamin Braddock is counselled by family friend Mr. McGuire on the future with one word: “*Plastics*”. See the short movie excerpt here <https://bit.ly/32m50FK>, and consider this is meant in current times as a bit of a criticism of the culture of the time. Yet if we have one word for the market participant audience, it is “*Therapeutics*”. While a lot of the focus is on the COVID-19 variants versus vaccination race, that may be a sideshow with the availability and effective implementation of therapeutics.

This is as we had already explored in Thursday’s ALERT!! (repeated below for your ease of access.) The test of this will be how well the therapeutics being surged into B.1.1.7 hotspot Michigan perform. That is after the US government declined the state’s request for more vaccine doses. Therefore, the impact of the monoclonal antibody treatments there take on extra importance, and so far are seeming to be very effective. And therein might be a real reason why the ‘risk-on’ psychology has been so strong of late despite troubling new infections news.

Courtesy Repeat of Thursday’s ‘Imagine... It’s All Good’ ALERT!!

There have been very positive economic influences of late from central bank accommodation, mostly stronger than expected data, and an upbeat outlook for immunization from the acceleration of vaccine programs. Yet there remains a US risk from

**newer COVID-19 variants (especially B.1.1.7) that have spread from the primary hotspot in Florida to much of the rest of the US, especially the Midwest.**

**While Michigan was also an earlier hotspot for its own particular reasons, the bulk of the spread to other states can be laid (as we already had postulated back in early March on Spring Break concerns) at the feet the major travel into and back from the 'Sunshine State'. The 'received wisdom' at present is that the US (and much of the rest of the developed world) is in a race between vaccination programs which are gaining momentum, and the accelerating spread of B.1.1.7.**

**Yet what if that is a distraction from the real issue? What if it might be 'All Good' on the rapid development and distribution of another method to suppress the pandemic spread and attendant pressure on health systems and economies? Much more on that can be seen in a FOX2 Detroit article (<https://bit.ly/3dIPno9>) and associated video clip on how this may be what is occurring in the most aggressive COVID-19 B.1.1.7 variant-plagued US state of Michigan right now.**

**What if that is going to be even better than the attempt to create 'herd immunity' through a high percentage of the overall population being vaccinated? We will return to that momentarily, yet first suggest revisiting Wednesday's 'Constructive Fed-ticipation' ALERT!! (repeated below for your ease of access.) And indeed the Fed's Beige Book was a litany of economic strengths with only mild cautions.**

**Also in Wednesday's ALERT!! was our regular revisit to the CDC graphs on the news COVID-19 cases (<https://bit.ly/3rw4eAb>) which remain at a very critical juncture into the top of the new case surge last Summer. While the 7-day average seemed to be topping out, it is now above those levels as well. 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') into the northern climes, as noted previous.**

**You might suspect that this would cause more alarm on the potential to derail recent economic reopenings in the states where the worst new infection spread is most prominent. Yet even beleaguered Michigan Governor Whitmer, where the Biden administration turned down her higher ('surging') vaccine allocation request, is not as concerned based on a key factor: the therapeutics 'surge'.**

**We had mentioned the importance of the extended success of Regeneron's REGEN-COV COVID-19 therapeutic trials, including CEO Dr. Leonard Schliefer's CNBC interview (<https://cnb.cx/3da8jWQ>). in Monday's "...with a Twist' ALERT!! He laid out the very impressive results for a drug already having an FDA EUA (along with an Ely Lilly drug) for use as an early phase symptomatic treatment. (This is the same drug which was used to treat ex-President Trump in October.)**

**And, upon reflection and seeing further developments (especially in Michigan), this is likely the 'game-changer' we had passingly noted on Monday. That is especially as it regards the very likely development of new COVID-19 variants prior to global 'herd immunity' (which is not likely to happen anytime soon.)**

**The ability of REGEN-COV (and possibly other firms' therapeutics) to prevent symptomatic infection, hospitalizations and deaths, and especially the fear of infection is a major global economic vector as well. Imagine a world where more aggressive testing can rapidly**

**identify infections, and those having an early form of the disease can be treated in a manner that avoids the symptoms progression.**

**As noted above, even before the 'Spring Break' resurgence out of Florida (and to a lesser degree Texas and California), Michigan had a more pronounced B.1.1.7 problem than anywhere else in the US except Florida. And even the lack of Biden administration willingness to 'surge' vaccine doses kind of makes sense: as the US health experts have noted, lags in administering vaccines and further lags in providing immunity means that would not be very helpful. It would also create competition from other states also now experiencing higher new cases.**

**Even beyond the therapeutics' ability to stanch the B.1.1.7 tide in Michigan, their purported ability to treat symptoms from almost any COVID-19 variant means that it will be a bulwark against any of the reimposition of pandemic suppression measures. And therein is the 'All Good' game-changer, which portends the ability to sustain economic reopening (or in future hopefully avoid economic shutdowns in the first place) even in areas where with a high degree of vaccine 'hesitancy'.**

**And as in both the US and elsewhere that is indeed the case to a greater degree than the health authorities would like, imagine if it doesn't matter for either individuals or society at large. Anti-vaxxers could be allowed their religious or political objections (often combined in some US precincts) to vaccination. However, if they would be amenable to testing and treatment (admittedly another assumption) if infection is confirmed, then the pandemic ceases to be an issue.**

**The bottom line is that even after it slipped a bit after Wednesday's upbeat Fed Beige Book (<https://bit.ly/3e4h18b>), the 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 Oscillator based on the farthest rally extensions in December prior to 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.**

**And the other asset classes are now more in line with the 'risk-on' psychology. While there is some resilient buoyancy in the global govies, it is important to note that they had already anticipated inflation in line with today's European data, and are under the influence of the central banks' position it will be transitory.**

**In foreign exchange the US Dollar Index slipping below key 92.30-.00 congestion and its 91.70 Tolerance (also weekly MA-9) is a sign of 'risk-on' psychology on the waning of any US dollar 'haven' bid that seemed to be the case two weeks ago. While there was also a modest bit of weakness seeping into emerging currencies after recent rallies to resistance, 'risk-on' is strengthening markedly at present.**

**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 4,160 and 4,190 next 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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