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ROHR ALERT!! The Bears Dilemma

1 message

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Dear Subscribers,
Monday demonstrated that the June S&P 500 future is still capable of selling off more than $25 from a new all-time high… who knew?? Yet the real point is just how far US equities rallied right into the face of the currently resurgent COVID-19 pandemic, even considering the impressive acceleration of the US vaccination program now at a 50% first dose level for the adult population overall. Yet the degree to which quite a few individuals are vaccine hesitant remains a problem.

Just to be clear it is not a political comment when we share 42% of Republican men are saying 'No, or not sure' according to current polling. See the recent CBS News article (https://cbsn.ws/3ejCavg) for more details, which includes 25% of Democratic men having the same view. Getting back to our previous views on the unlikelihood of the US achieving 'herd immunity'... and it is that much less likely in the other developed economies, with the underdeveloped world still a mess.

So once again, how can US equities surge, and other global 'risk-on' indications from the energy markets and foreign exchange continue to advance? Well, it is a matter of overall confidence that the economic reopening will continue. Again, this is a non sequitur in the face of the current rise in COVID-19 new cases, which will not be offset by even more extensive vaccinations alone in the near-term. However, in pandemic new case hotspot Michigan the move is toward greater use of therapeutics, as noted in last Thursday's 'Imagine… It's All Good' ALERT!!

With a request for more vaccine doses turned down by the Biden administration, Governor Gretchen Whitmer has still resisted calls from CDC head Walensky to reimpose a more stringent lockdown. That was, and remains, a major point of contention with her Republican legislature and much of the population. As it is just not a feasible path for her, she has shifted to a request for a surge in doses of therapeutics. We recommend a read of last Thursday's ALERT!! for anyone who has not already reviewed it, especially the Whitmer article and video.

As this is not being covered very extensively in the national press, please see last Wednesday's article in the Montgomery County Courier (https://bit.ly/2QaajWB) for more on this now critical focus. It repeats some the same impressive statistics from last week's longer FOX2 Detroit article (https://bit.ly/3dlPno9) and associated video clip cited in last Thursday's ALERT!! The results so far are 65% of those testing positive (and yes, testing remains a key) who received therapeutics felt better after just two days. Only 5% became sick enough to need hospitalization.

This all goes to our recent shift in perspective that while vaccination is important, the therapeutics are the ultimate way to suppress the pandemic and ultimately economic impact through avoiding any lockdowns or restrictions. Imagine how much better everyone will feel, including governments feeling free to allow unrestrained commerce, if anyone

testing positive can expect to feel better after they are treated with a week of feeling ill (and then testing positive.) And the current efforts in beleaguered Michigan are the trial for this pandemic address.

Yet, why does this alternative approach to pandemic suppression present such a dilemma for US equities bears, and naysayers on the return of 'risk-on' to other asset classes? Well, it transcends the still challenging level of vaccinations. Those are never likely to reach more than 70% based on the vaccine hesitancy noted above, with full herd immunity not likely to be achieved with most of the rest of the world not near US levels of vaccination. This is also in the context of the likely need for 'boosters' due to fading immunity and new COVID-19 variants.

Yet, as noted above, the real key is anticipation that the economic reopening will continue despite any near-term setbacks. And the therapeutics, which are so far effective against all of the COVID-19 variants, offer the more assured path to that stabilized economic 'new normal'. It is still our consideration that the relentless US equities rally since overrunning the 3,942-60 front month S&P 500 topping activity (see Friday's 'Monster Macro… and Thera-Mania??' ALERT!!) is due to that 'stealth' therapeutics psychology seeping into the market perception.

Regarding the specific Evolutionary Trend View (ETV) perspective on that dilemma for the US equities bears, any market reversal classically does not just mean a '*break*', like the current selloff from Friday's 4,183.50 new all-time high. While that may feel a bit weak after the more than $200 June S&P 500 future rally with no selloff of more than $25 since overrunning the 3,942-60 area, it is really quite a minor reaction in that context. In the current case in particular, any real reversal of the bull trend will classically require '*a break from a break*'.

Taking this the broader context of the April 5th 4,015-21 weekly UP Runaway Gap, that gap will need to both be closed off and indeed see a weekly Close back below it to establish a trend reversal signal (i.e. turn the 'Runaway Gap' into an 'Exhaustion Gap'.) So stepping back into the broader ETV, what are the chances even with resurgent COVID-19 new cases and still only partial vaccinations (no full herd immunity) that the front month S&P 500 future is even going to get fully back down for a test of that low-4,000 area gap? How about Closing below it?

Our answer is that this is not likely without a return to more draconian pandemic suppression restrictions once again. Might those look more necessary at some point if the pandemic new cases continue to rise? Possibly. Yet will that be to the degree which requires steps that are a real economic shock? Not likely, and even less so if therapeutics prove as effective as early indications seem to suggest. Therefore we all need to keep an eye on Michigan as the test of that proposition.

The bottom line is that the US equities reaction might see June S&P 500 future slip to the 4,100 area to even test the minor congestion from the rally extension last week. Of course, the more major support remains down into the low-4,000 area, as noted above, for the overall 'risk-on' psychology to maintain.

It is especially the recent case in foreign exchange, where developed currencies are finally exhibiting a more upbeat global view. That is on the US Dollar Index failing the 91.70 Tolerance of the important 92.30-.00 range last week, reinforced by EUR/USD above 1.2000. It is now sinking closer to the 91.00-90.50 historic congestion, reinforced by trading below it

December through February. Next lower support is the historically important 89.50-.00 area also tested then.

Emerging currencies have backed off just a bit, yet had already broken their key resistances of late after stalling into them earlier this month. That said, the South African rand has seen USD/ZAR not quite reach 14.00 area support prior to the current recovery. Yet that is not near the important violated 14.50-.40 support.

Courtesy Repeat of Friday's critical consideration (updated chart)
[To be updated after Wednesday's more important macro influences]
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/3v2BmSk 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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