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ROHR ALERT!! Still Risk-On with a Twist

1 message

ROHR Alert <rohralert@gmail.com> Fri, Apr 23, 2021 at 10:21 AM
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Dear Subscribers,
As reinforced by the overall central bank accommodation revisited in Thursday's 'ECB Still Full Throttle' ALERT!!, the 'risk-on' psychology seems to maintain in the near term. That is despite the higher two-way volatility in US equities after dropping earlier this week from near weekly Oscillator thresholds and the lower 4,193 (daily form) of its Runaway Gap Objectives (also 4,316) to back near 4,100.

Yet that is in the context of the emerging currencies maintaining recent gains above key levels, even if also turning into a sideways churn of late. It is also the case that the developed currencies recent gains against the greenback have the US Dollar Index breaching the top of the 91.00-90.50 congestion for the first time since it was exceeded back in early March. That is of course in goodly measure on the EUR/USD sustained recovery back into the 1.2000-1.2100 range. While other developed currencies are also gaining, the euro's improvement after initially dipping back to 1.2000 on Thursday's dovish ECB is that much more interesting.

It speaks of the global nature of the 'risk-on' psychology, which was reinforced this morning by across-the-board better than expected Advance PMIs. That was fully across the world for both Manufacturing and Services. It was especially interesting in ostensibly still beleaguered European Services (Madame Lagarde cited it yesterday) rising from 49.1 to 50.3. On the short-term (i.e. high frequency data) 'macro' indications, we can also include over the top UK Retail Sales.

Why such a strong focus on market movements from the top this morning? Because price activity is sometimes self-evident regarding a broader psychology. We often note that Evolutionary Trend View (ETV) technical levels are the Rosetta Stone (https://bit.ly/2Vu49z8 for my brief mention in a view on 'thoroughness' & https://bit.ly/3em9Ng2 for the full WIKI) by which we can interpret what the sheer price movement is saying in its own right. And in the face of some concerns the ETV is now shouting, "*It's still 'risk-on' regardless of the near-term fluctuations*."

The cross currents causing that temporary sharp US equities selloff include the pandemic front and Biden administration proposals. As Wednesday's article in TheHill (https://bit.ly/3avZ5lR) notes, after such incredible recent success, US vaccinations dropped markedly: "*The U.S. hit a peak in early April of getting 4.63 million COVID-19 vaccines into arms in a single day before Tuesday saw a total of 1.81 million doses*..." What is in flux is whether that is (likely) due in part to the cancellation of many J&J vaccine doses due to rare blood clotting reactions.

If so, vaccination progress should bounce back after today's likely CDC and FDA approval of the resumption of the J&J vaccinations (even if with new directions.) However, it might also increase an already troubling level of vaccine hesitancy, which could limit the ability to reach the widely desired 'herd immunity'. For more on that and the still 'stealth' alternative

to any lack of effective vaccination herd immunity, we suggest reading Wednesday's 'The Impossible and the Improbable' ALERT!! for anyone who has not done so already; it's an important forward view..

On the other hand is the Biden administration's overall support for the economy through the infrastructure spending plan. Yet, after the ARP relief plan passed, it was always the case that at some point the question of how to pay for all of this government largesse would arise. And as of yesterday it became clear this would involve increased income tax as well as capital gains taxes. That could be a real problem for the stock market… if it were to actually come to fruition.

However, tax increase 'hesitancy' among some moderate Democrats is as strong as vaccine hesitancy among some of their more conservative constituents. It is therefore the case that the tax proposal remains a sharp but still somewhat distant threat to the 'risk-on' psychology, with the pandemic progress (also cited as a key factor by Madame Lagarde yesterday) still the more immediate and extended key to the economic reopenings and as such the market's fate.

Courtesy Repeat of Wednesday'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/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. Even the March S&P 500 future push back above the old 3,960 area high, saw various factors conspire to drop it back to 3,960 area. 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), nominally a real top.

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 two weeks ago Monday left next weekly Oscillator thresholds into 4,160 and 4,190 last week (MA-41 now rising $25/week.) That was fulfilled on the late week push, contributing to the current reaction.

Yet the potential for there to have been an UP 'Runaway Gap' on the April 5th opening (see the chart) leaves low-4,000 area 'big penny' psychology more critical than usual on any near-term selloff. That 'Runaway Gap' opening (see the Tuesday April 6th 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 a weekly Objective (based on 3,720 selloff low) of 4,316. The interim support based on recent congestion is the 4,100-4,085 range.

Thanks for your interest.

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