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ROHR ALERT!! Risk-On into ETV Hurdle

1 message

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Dear Subscribers,

The Biden tax plan discussion early last week still only created a very temporary downside reaction that had US equities recover late week. That saw a minor new 4,186.75 front month S&P future all-time high. While that may have seemed a random level up near 4,200, it was also very near one of the early April UP Runaway Gap Objectives: 4,193. Even with a \$20/week rise in weekly MA-41, that still leaves Oscillator thresholds into 4,185 and 4,215. As such, even as solid as the up trend appears, there are Evolutionary Trend View (ETV) hurdles above.

This is consistent with the 'risk-on' psychology still being in place in foreign exchange, especially on continued US Dollar Index slippage into the 91.00-90.50 range after failing the 91.70 Tolerance of the 92.30-.00 historic congestion. It is also on emerging currencies maintaining their 'risk-on' bid despite not making any further progress through their extended resistance levels. At this time global govies seem a non-factor, churning on their recent recovery rally. That said, they are still likely bearish overall, seemingly waiting for further direction from the economic data or any shift in the central banks sanguine inflation views.

And we will know more about that and the politico-economic influences on Wednesday into the market reactions Thursday. Even allowing that Thursday and Friday are the typical end of month economic data tsunami, Wednesday's FOMC announcement and press conference into that evening's first major President Biden joint congressional address (*de facto* State of the Union address which is not called that the first time in a new administration) could be dominant factors.

We will be further exploring both of those into midweek, yet for now must consider the broader 'macro' background. That still revolves around the 'reopening' trade, which is more prominent in the US while being very much more problematic in the rest of the world. That is due to lower implementation of their vaccination programs, and previous lack of pandemic suppression measures that is leading to a resurgence of the pandemic. Among the best resources for reviewing this is the BBC interactive updating article: <https://bbc.in/32O8tgV>.)

Scrolling about a quarter of the way down in that page illustrates the leadership of the UK and previously lagging US. While Canada is now catching up to some degree, the rest of the developed world that includes Europe, Japan and Australia are lagging seriously behind. That is not even considering the lack of broadly effective programs outside of the developed world, especially including the tragic new cases explosion in India where the hospital system just cannot cope.

All of this leads back to the COVID-19 virus' demonstrated ability to spin off more potent new variants, like B.1.1.7 that was uncovered in the UK prior to spreading to especially the US (see the CDC variants map again <https://bit.ly/3cWY0Fz>.) While that was originally more

prominent in Florida and Michigan, in part due to Spring Break travel it has spread widely (as we had predicted.) That said, US new cases are falling markedly (<https://bit.ly/3rw4eAb>) from near last Summer's highs.

That is certainly good news, yet comes with the latest 'herd immunity' twist: the sharp decline in vaccine doses administered last week. That can be tracked on the CDC US Vaccination Trends graph (<https://bit.ly/3tU40oB>), automatically updated as new data is available. Those have dropped from consistently hitting levels above 3 million since early March to below 2 million last Friday.

While some of that may be a response to the rare J&J vaccine serious blot clot concerns, the levels and 7-day average were already falling prior to the J&J suspension announcements. So on that front the question becomes whether the most recent drop is an aberration brought on by the J&J problems, or is it indicative of a more significant vaccine aversion among the so far unvaccinated?

The further question is whether after recent significant success in delivering more doses the US is hitting a vaccination delimiter on residual shot aversion? For much more on that, please see last Wednesday's 'The Impossible and the Improbable' ALERT!!, where we explored the idea that despite the US vaccination program success to date, it may not ever provide full 'herd immunity'. That would be the 'impossible', where the 'improbable' will be the degree to which COVID-19 will ultimately need to be addressed through the extensive use of therapeutics.

It is scary the vaccine perception has also been politicized, quite a few more of the male Republican population are averse to taking any vaccination. That is also explored in last Wednesday's ALERT!! Yet it is now also reinforced by the degree to which many US individuals who've had one dose of the Pfizer or Moderna vaccines are not coming back to get their second shot. As noted in a current INSIDER article (<https://bit.ly/3nlaHxz>), while that may only be 8%, it still amounts to 5 million people with likely lower immunity, and is a general risk factor.

In the context of a very high percentage of individuals who need to be vaccinated to develop immunity, the thought that the US may not achieve much more than a 75%-80% vaccination rate leaves the disease still able to spread... and mutate. This is especially so with so much of the rest of the world still unvaccinated and new cases spiking, especially in India. Consider what Mayo Clinic has to say on 'herd immunity' for highly contagious diseases (as the COVID-19 B.1.1.7 variant seems to be): *"...the measles is a highly contagious illness. It's estimated that 94% of the population must be immune to interrupt the chain of transmission."*

As such in addition to the perception that any Biden corporate and capital gains tax hikes on the order of what has been discussed to date may weigh on the economy, the pandemic will be out there as a potential recurring risk. This is at least in part (along with various geopolitical tensions at present) why the US equities need to be carefully observed into their higher resistance. That is along with whether the emerging currencies continue to reflect the 'risk-on' psychology.

It is often the case any sustained reaction in US equities bull markets requires multiple factors to weigh on the market. While the trend remains up, this seems to be a juncture where multiple factors are going to be more critical this week.

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/3gB9ctH> 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 in early April means next weekly Oscillator thresholds are into 4,185 and 4,215 this week (MA-41 now rising \$20/week.) Those were neared yet not exceeded over the past two weeks, and remain critical.

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 low 4,100 area into 4,085.

Thanks for your interest.

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