



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

ROHR ALERT!! 'Risk-On' Ignores Shabby US Employment 'Glitch'

1 message

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

Fri, May 7, 2021 at 10:58 AM

Dear Subscribers,

As noted in Thursday's 'On the Yellen Yin-Yang... Again' ALERT!!, there was a topping pattern attempt in US equities based in part on Tuesday's short-term shock selloff in the wake of the Treasury Secretary's interest rate comments on both sides of the tightening issue. We suggest a read of that along with a look at the charts (links in the analysis) to consider how the June S&P 500 future had seemed to be forming a short-term topping pattern since mid-April. However, that relied upon it not pushing much back above the 4,183.50 April 16th trading high.

That was the nominal high of the left shoulder of the Head & Shoulders Top in progress. And as noted on Thursday, any push too far above it (nominally above the 4,185-90 area) would Negate the potential for that top to continue forming. This would also likely eliminate the opportunity for any additional selloff into the low 4,100 area to complete the pattern. And much as when a completed topping pattern fails to maintain a DOWN Break, when an incipient top exceeds the nominal topping pattern expectations, the market is likely ready to rally again.

And here we are, with yesterday's late session June S&P 500 future sharp push above the 4,185-90 area leading to this morning's early rally extension to just a bit above last Thursday's 4,210 all-time high prior to setting back. Needless to say, that doesn't leave any vestige of the attempted top, and leaves the 4,180-70 area as near-term support. We began this analysis with the US equities Evolutionary Trend View as a bellwether for just how much the extremely weak US Employment report this morning has not seemed to damage the overall 'risk-on' psychology.

While we will shortly return to a dissection of that and other 'macro' indications, other asset classes are also instructive on ignoring any of the US Employment report's negative implications. While the global govies outside of weak sister Bund are trading higher (especially the US), foreign exchange is still maintaining the 'risk-on' rally we had noted held on a reaction, and was getting the bid back against the US dollar earlier this week despite temporary US equities selloffs.

On the developed currencies, the US Dollar Index is now back down from above the 91.00-90.50 area to slightly below it. That is consistent with EUR/USD having held the low end of the 1.2100-1.2000 range and also being back above it. It is also the case in emerging currencies that had a bit more of a downside reaction of late. The South African rand USD/ZAR had rallied from near 14.00 support to the heavy 14.40-.50 congestion last week into early this week, yet is back down into a new recent low near 14.00 once again. Same for the USD/MXN bounce from 19.80 above 20.00 to the 20.30 area, yet now dropping back down to below 20.00.

It is all a reinforcement for the resilience of the 'risk-on' psychology. Yet that might seem a bit odd in the wake of the much weaker than expected Nonfarm Payrolls gain of only

266,000 jobs in today's April US Employment report. It was well short of the 978,000 estimate (with whisper numbers well above one million.) Also of note is this was in addition to the downward revision of the March NFP gain from 916,000 to 770,000. There were also disappointing Canadian numbers.

So all in all a really terrible set of reports (especially the US), yet with the June S&P 500 future not backing off to any worse than the 4,195 area prior to pushing back up above the early (pre-report) 4,214 high to another new all-time high. It is a compelling performance, and the reasonable question is, "Why?" There are more than a few reasons. In the first instance there are the various influences which might suppress hiring despite what is obviously a strengthening US economy.

Those include relief payments' disincentive to return to work, lack of skilled workers, younger children whose schools remain on remote (or hybrid) learning, and population shifts to the exurbs not good for workers without transportation. There is also the slowdown in construction driven by builders pulling back to some degree (especially single family dwellings) due to elevated input costs making some projects uneconomic at this time. Yet not any economic weakness.

As such, the US equities and other asset classes outside of US govies (that like the idea of cooler employment reinforcing Fed Chair Powell's transitory inflation idea) are essentially ignoring today's one-off (at least so far) weak employment indication for April. That seems all the more reasonable as March US Wholesale Trade this morning was a whopping +4.6% (versus -0.8% previous.) That is also in the context of all of the 'over the top' corporate earnings reports this cycle.

As we had noted previous, the basic market theme right now is that the overall post-pandemic (at least partially) economic reopening will continue, even if there are some glitches along the way. While the international situation remains a concern (especially India at present), that is not seeming to weigh on developed economy psychology. That is further evidenced by US equities pushing farther above this morning's early high, and the other currencies holding or advancing their bids against the US dollar (i.e. any US dollar 'haven' bid eroding further across time.) It all appears like the US NFP is being treated as a minor 'glitch'.

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/3ufmjVb> 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. The following Monday there was a 4,015-21 UP Runaway Gap, where the Objectives are 4,193 with a higher one not until 4,316. As such, whether a push generally above 4,200 can be maintained is a key indication on that front.

It is also the case there is a weekly Oscillator threshold into 4,210 this week on the back of a \$25/week rise in weekly MA-41. It appears the market anticipated this last week by leaving a 4,211 new all-time trading high last week. Of course, this makes that level that much more critical a technical threshold on any attempt to extend the rally this week. Along with that the next threshold rises to 4,240 this week that was also set at last December's high end Closes. However, if the market makes it that far, it would also represent fully overrunning the 4,200 area, with the higher UP Runaway Gap Objective not until that 4,316 level.

Despite the recent selloff into the more prominent low 4,100 area (mid-April pullback lows) congestion evolving into a potential short-term Head & Shoulders Top, that potential has been Negated on the push above the 4,185-90 area. As we had noted previous, while the fate of the near-term trend was yet to be decided during that topping activity, the general trend still favored the bulls.

And that has now opened the door to a push up to next week's still rising weekly Oscillator thresholds (with weekly MA-41 still up \$25/week) at 4,235 and 4,265 (based on the topping activity back in December.) Of course, these are beginning to get closer to the higher (weekly Chart) 4,316 Runaway Gap Objective as well after now finally overrunning the lower 4.193 Objective; a powerful sign.

Thanks for your interest.

NOTICE: The Rohr International, Inc. research team or its principals may already have entered positions or have orders working based on this view.

This Current ROHR TREND ALERT!! will be available soon via the sidebar at www.rohr-blog.com for Gold and Platinum echelon subscribers.

Please reply '**Unsubscribe**' if you no longer wish to receive these emails.

Contact: rohralert@gmail.com

This review of market positions and all other information is strictly for educational purposes. This information is provided without consideration of portfolio requirements, suitability for financial risk, or psychological state of any recipient. Any use of this information to implement actual trades or investments is the sole responsibility of the individual or entity authorizing that decision. This waives your right to any claim of explicit or incidental liability for financial loss or forgone profit against Rohr International, Inc. and any informational contributors under all circumstances. Information contained herein may have already been disseminated to others who may have acted upon it. Implicit in the Rohr educational services is the understanding that principals or employees of Rohr may have already taken positions. By review of the Rohr Alerts and/or Rohr Views and all attendant information you confirm receipt of them as educational content, as well as agreement with all of the stipulations articulated above.

A service of Rohr International, Inc.

© 2021 All international rights reserved. Redistribution strictly prohibited without written consent