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## ROHR ALERT!! C.P.y-I-kes!!

1 message

**ROHR Alert** <rohralert@gmail.com> Wed, May 12, 2021 at 10:41 AM
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**Dear Subscribers,**
**While the US inflation bump was highly anticipated, the extent of the overshoot on today's US CPI numbers was striking. Headline +0.8% (versus a +0.2 estimate) and Core +0.9% (highest since 1981 versus a +0.3% estimate) were even a bit worse than expected. The two immediate market considerations on that are that the anticipation it might be worse than expected was already partially priced in.**

**The second issue is forward trading into the expectation of higher inflation was noted in the title of Tuesday's "Exigent Banana Peel 'Risk-On' Damage" ALERT!! Of course, that 'exigent' (i.e. requiring immediate address) circumstance is the Colonial Pipeline ransomware shutdown, raising gasoline price up the entire Eastern seaboard (when it is even available.) While that may be a clear example of the Fed's transitory inflation based on supply constraints it hopes will clear up in the intermediate-term, it just puts an extra edge on all of the inflation news now.**

**This is being interpreted as a factor which can bring forward the FOMC tightening of QE and ultimately through rate hikes. Yet along with Chair Powell the various Fed minions are sticking with the 'transitory' inflation story. That was true for Lael Brainard Tuesday and again this morning from Vice Chair Richard Clarida in his speech at the NABE International Symposium (https://bit.ly/3hmRAIM.) It is the question however whether the inflation tolerance is good or bad in the near-term.**

**Classically the US equities like 'a bit' of inflation as a sign of economic strength. However, if it races ahead too aggressively it affects corporate earnings through input prices. There is also that risk the Fed will indeed need to move on removal of accommodation (taper QE purchases of various bonds) or actually hike rates. While the latter may still be quite a way into the future, the concern over tapering is related to the degree to which the Fed is now a primary US debt purchaser.**

**Whether the markets are going to react on more than a temporary basis is likely going to become clear by later today. That is due to June S&P 500 future already having set a new minor 4,098.25 trading low below yesterday's 4,103.75 prior to the late session rebound to Close at 4,146.25. Of note, that is about the best it did prior to coming back under pressure even prior to today's US CPI numbers.**

**And it all still revolves around the degree to which the June S&P 500 future can hold the 4,100 Tolerance of the 4,120-10 support, or needs more of a correction. Much below the 4,100 area the overall up trend may need to correct back near or into the early April 4,021-15 weekly UP Runaway Gap. While that is seemingly a significant further slide, it is actually**

**very reasonable based on the straight up surge from the gap activity into the upper-4,100 area prior to stalling in mid-April.**

**All of the perspective on the importance of the price pattern evolution on the decision around the 4,100 area was fully explored in Tuesday's "Exigent Banana Peel 'Risk-On' Damage" ALERT!! (repeated below for your ease of review.) It also reviews the degree to which the rest of the 'risk-on' psychology seemed to be maintained Tuesday, yet is now coming back under pressure on the extended US equities weakness today. And it all bears close observation today, as Thursday is a bit of a reporting vacuum prior to the return of more economic release Friday.**

**Courtesy Repeat of Tuesday's "Exigent Banana Peel 'Risk-On' Damage" ALERT!!**
**Well, regardless of the positive view expressed in Monday's "'Risk-On' Rolls" ALERT!!, there seem to be unusual pressures which have affected the previously very high flying 'tech' sector since yesterday morning. Yet, just to be clear, this is merely an extension of an already weakening psychology that has been part and parcel of the 'reopening' trade which had helped drive the US equities higher.**

**As we always note, it is rarely just one influence that weighs heavily enough on US equities to create any extensive selloff. And in this case as well, the factors causing the current weakness are some items which were already in progress that are intensified by at least one actual 'exigent' factor: the Colonial Pipeline ransomware attack shutdown. While there was not any strong market response since that occurred last Friday, the refusal to pay the ransom is leaving the restoration of operations possibly taking a bit more time than initially imagined.**

**While there are other factors in the US equities selloff, that this major source of East Coast energy supplies being at less than full operation until (hopefully as promised) the end of this week is at least of passing concern to the markets. That is on upward pump price pressure on gasoline, which in turn is raising more inflation concerns as it is above $3.00 per gallon in select East Coast locations.**

**That is the highest since the pandemic began, even if temporary if the Colonial Pipeline does come back online timely. The real test will be what happens with heavy road travel during the Memorial Day holiday weekend (May 28-31.) That is the one truly 'exigent' factor not priced in with other regular influences. Yet it has crystallized concerns around inflation which were dormant despite strength in many economic indications, which generally supported the 'risk on' psychology. It is likely the final factor necessary to trigger the 'banana peel' US equities fall.**

**And it is currently enough of an influence to cause global govvies to finally reflect the chance of more inflation in the US. That is clear on the stronger sister June T-note future dropping back from last Friday's very temporary test of the 133-16 area (which we had noted was interim resistance) in the wake of the weak US NFP. While back slightly below the 132-00 area, it is not nearly as bad as the European debt trend. The June Gilt future is back below the 128.00 area, and weakest sister June Bund future (based on still reflecting negative yields) is into a modest new low for this year's selloff. That is critically below the low end of its 170.50-169.75 congestion that it had only been dipping into for the past two weeks, with next key support in the interim 169.00 area and more major support into 168.00-167.50.**

**Why all of this review of the global govvies in the assessment of the US equities on such a volatile day? Simple, they are finally reflecting the stronger growth potential which has a bit**

**more inflation as a component of what is still a 'risk-on' indication overall… and should not actually weigh too heavily on US equities at current yields. The other factor which rounds out that view is a foreign exchange picture where there is no 'haven' bid in the US dollar. If there was really a panic despite the strong 'rearview mirror' economic data, the US dollar should be attracting a bid away from both developed currencies and emerging currencies.**

**Yet, US Dollar Index remains under its recent pressure below the low end of the 91.00-90.50 range it broke back below last Friday for the first time since February. And as noted in Monday's analysis, key emerging currencies South African rand and Mexican peso continue to gain strength into their next resistance levels.**

**Speaking of the strong 'rearview mirror' economic indications, this morning also saw the next monthly release of one of the few forward looking economic reports: Organization for Economic Cooperation and Development's Composite Leading Indicators (https://bit.ly/3f2O3Gc.) Not surprisingly in the context of US economic reopening and COVID-19 improvements elsewhere they indicated a "...*steady expansion in the OECD area as a whole and in most major economies*." This is another reinforcement for the 'risk-on' psychology, with the exceptions bring the COVID-19 plagued Brazil and India… where pandemic resilience is still a factor.**

**So where does all of the intermarket Evolutionary Trend View (ETV) background leave us on US equities potentials at the 4,103.75 bottom of a straight down drop of $135 since Monday's June S&P 500 future 4,238.25 new all-time? Quite simply, into support again. While the June S&P 500 future never made it all the way down to the key 4,110-15 trading lows congestion during the drop to last Tuesday's 4,120 'Yellen Yin-Yang' trading low, those levels represent key support.**

**It is sometimes the case that when a market aborts one top (the short-term H&S Top attempt knocked out above 4,185-90 last Thursday) it evolves into a broader pattern of the same variety. As long as it holds 4,120-10 (with a 4,100 Tolerance), it is likely to at least rally back into the 4,180 area as part of forming a broader top pattern, which could mean ranging between the low- and upper-4,100 area. On the other hand, if 4,100 is indeed violated, lower support is not until the 4,040-21 area.**

**Now that inflation concerns are a key factor driving the weakness of the tech sector (forward valuations too high for a higher interest rate environment) that is weighing on S&P 500 due to its tech component. This is going to be especially interesting into Wednesday's German, French and US April CPI releases.**

**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/3exmtIC 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 4,230 this week on the back of a $25/week rise in weekly MA-41. It appears the market anticipated this previous by leaving a 4,211 new all-time trading high two weeks ago (when that was going to be the Oscillator threshold into last week.) This made that level that much more critical a technical threshold on any attempt to extend the rally last week, and it was overrun despite the weak Employment report.**

**A really interesting part of the overall equation is whether generally overrunning the 4,200 area (including that lower 4.193 Objective), just means a likely test of the higher (weekly Chart) 4,316 Runaway Gap Objective? Yet on the current sharp selloff it revolves around the degree to which the June S&P 500 future can hold the 4,100 Tolerance of the 4,120-10 support, or needs more of a correction.**

**Much below the 4,100 area the overall up trend may need to correct back near or into the early April 4,021-15 weekly UP Runaway Gap. While that is seemingly a significant further slide, it is actually very reasonable based on the straight up surge from the gap activity into the upper-4,100 area prior to stalling in mid-April.**

**Thanks for your interest.**

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