Gmail

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

ROHR ALERT!! Not a Manic Monday

1 message

ROHR Alert <rohralert@gmail.com> Mon, May 24, 2021 at 11:28 AM
Bcc: ar.rohr.intl@gmail.com

Dear Subscribers,
Considering the volatile price swings of the past two weeks, today is a much quieter start to the week… and thanks to the Bangles for their 1986 hit song (and ghost writer the late great Prince) for the inspiration for today's title. And it is of course another sizable price movement morning, with the S&P 500 up $45 at the time of this writing. This is also in the context of bullish activity being expected now after the recent swings, which were nothing less than wild at some points.

It is most certainly not a 'manic Monday' in the context of the reporting calendar. That is due to much of Europe closed for the Whit Monday holiday and Canada's closure for Victoria Day. The only data beyond New Zealand Retail Sales this morning was the Chicago Fed National Activity Index coming in a bit weaker than last month. Yet that is a positive in allowing for purely psychological trade.

No angst this morning to undermine the bullish US equities psychology set up by the survival into recent higher inflation indications. This is as initially discussed in last Tuesday's 'Inflation Conturbation' ALERT!! While there is a sense inflation may be a problem if the central banks are too sanguine for too long, that is a typical fear during the early phase of a strong economic recovery… and it rarely amounts to anything that forces central bank activity or derails the equities.

We still recommend a read of that analysis for anyone who has not done so already and either requires an initial orientation on this matter or for more experience market participants who do not recall this tendency from previous overall cyclical turns. And the 'inflation conturbation' was further diminished last week, as reviewed in Thursday's 'More Inflation Conturbation Volatility' ALERT!! The concerns over the Fed (along with other central banks) being too sanguine on growth and inflation was put paid by Wednesday's FOMC Minutes release.

As shared Thursday morning, the key passage in the FOMC meeting minutes (https://bit.ly/3oyED9P for our slightly marked-up version) was in the later part of page 10. To wit, "*A number of participants suggested that if the economy continued to make rapid progress toward the Committee's goals, it might be appropriate at some point in upcoming meetings to begin discussing a plan for adjusting the pace of asset purchases.*" Hmmm… so regardless of Powell's penchant for keeping conversations focused on achieving the full employment goal, it does appear the FOMC is indeed considering US economic growth.

What is interesting about that in a market context is the hit June S&P 500 future took from a recovery into the low 4,100 area (after UK inflation-driven early weakness) immediately after the FOMC minutes release, only to recover back into that area. Evidently that the Fed is indeed '*thinking about thinking about*' the path of the US economy in its taper deliberations is a very positive sign.

Of course, this then allows for any of the recent stronger economic data (with some weak spots along the way) to drive the bullish US equities and overall 'risk-on' psychology. It is as noted in our 'PMI Friday Locks the Door' ALERT!! That is as "...*the door that had slammed shut on the bears in the wake of US equities shaking off the sharp 'inflation conturbation' selloffs since the US CPI and PPI last week (noted since Tuesday's anticipation of further inflation concerns) now seems locked. While this morning's global Advance PMIs have been a bit mixed, they were mostly a bit better than estimates. Along with the US outperforming on both Manufacturing and Services, there is the general tendency that sometimes gets lost in the fine line economic 'tea leaf reading':*

***They are all well above the 50.00 reading, indicating there is a broad and hearty global expansion in place*." This is the basis for the bears losing their transitory inflation edge in the markets. As was also reviewed previous, it is possible for the bears to create a break once a market stalls on a rally (think US equities from 3-4 weeks ago.) Yet the real key to 'turning' a trend (actually reversing the overall trend) is whether bears can get a market to '*break from a break*', and especially it violates any key lower major trend support. In this case that would have meant a failure not just, but also back below, the early April 4,021-15 UP Runaway Gap.**

And of course, even given the violence of the earlier phase of the selloffs on US inflation indications two weeks ago, they never came close. The Regular Trading Hours June S&P 500 future trading low was into the 4,050 area after the US CPI two weeks ago, with the 4,029 trading low only seen overnight into the wee hours (US time) on Thursday, May 13th. There was then recovery well above 4,100-20.

The brief revisit to that 4,050 area was not until last week's hotter than expected UK PPI figures, yet not the CPI. And once again the US equities recovered quickly back into the 4,100-20 area, and were hardly bothered at all by Thursday's early German PPI overshoot. By Thursday's US Close June S&P 500 future had pushed back up into the mid-4,100 area (being above 4,100-20 from around the opening.)

What's the lesson here? That the hotter inflation 'macro' factor may have seemed troubling on the first blush of the seriously higher than expected US numbers two weeks ago. However, by watching serial international inflation impacts (especially as they were only PPI numbers and not the more troubling CPI), it became very obvious that this was something the market had anticipated in the context of the 'supply disruption' distortions during the extensive pandemic reopening.

Neither US equities nor the overall 'risk-on' psychology were bothered by the inflation indications that were obviously supply glitch based, and not the more pernicious 'demand-pull' inflation. While that might change at some point, the US economy is too far away from the sort of excessively strong labor market which would encourage higher wage demands necessary for that sort of price spiral. See last Tuesday's Inflation Conturbation' ALERT!! for more on that as well.

On the US equities, higher resistance after such sharp directional price swings is not until up in the 4,180-4,200 area June S&P 500 future was retesting last week. It is not just the recent congestion, as some weekly Oscillator thresholds also rose to the 4,175 and 4,200 levels this week (MA-41 rising $20 per week.)

While there is also congestion near last week's new 4,238.25 all-time high, that was also the minor new weekly high prior to last week's Close below the previous week's 4,225 level. That created a weekly DOWN Closing Price Reversal (CPR), albeit a minor one that would

seem to lend itself to Negation with any sustained activity back above the top of the 4,180-4,200 congestion. So what then? It is the case that the low 4,000 area UP Runaway Gap remaining intact leaves its higher (weekly chart) 4,316 Objective also still in force (see the weekly chart link below.)

After overrunning and reacting back below the lower (daily chart) 4,193 Objective over the past few weeks, any sustained activity back above 4,200 would also speak of a more significant extension above it. And the 4,316 Objective also loosely includes Oscillator threshold indications as well. The higher Oscillator levels set up at the highest weekly Closes back in December rose to the 4,270 and (*wait for it*) ...4,300 levels this week. As is often the case, after any significant reaction a market can extend to higher levels that would have seemed overdone in the near-term context on the earlier phase of a substantial trend surge.

It is the same in a much more measured way for the other 'risk-on' psychology indications from key foreign exchange area. While developed currencies are only gaining ground again on the US dollar in a nominal fashion, maintaining their overall bid is enough for now. However, the emerging currencies are back to being well bid (outside of the vexed Turkish lira), pushing back toward recent highs after some recent reactions. It all reinforces the 'risk-on' psychology.

Courtesy Repeat of previous critical consideration (updated chart)
(To be updated Tuesday morning. See above current views.)
On previous form, the March S&P 500 future stalled into its old all-time 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. That is clear on the front month S&P 500 future weekly chart (https://bit.ly/3wsdqbI updated through Friday.)

There was even atypical weakness into the mid-March FOMC announcements and Chair Powell's press conference. Even a 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 an early-April weekly Oscillator threshold into 4,230 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 the previous week (when that was going to be the Oscillator threshold into early April.) This made that level that much more critical a technical threshold on any attempt to extend the rally, and it was overrun despite the weak April 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 recent sharp selloff it revolved around the

degree to which the June S&P 500 future could hold the 4,100 Tolerance of the 4,120-10 support, or needed more of a correction.

Much below the 4,100 area the overall up trend corrected back near the early April 4,021-15 weekly UP Runaway Gap, as expected. While that was a significant further slide, it is actually very reasonable based on the straight up surge from the gap into the upper-4,100 area prior to stalling in mid-April. Having recently been above 4,100-20 again of late and now back below it sets up another potential test of that key 4,021-15 gap, with the key factor being whether it remains open.

Also of note is the front month S&P 500 future weekly MA-13 moving up from last week's 4,030 area to 4,044, further reinforcing the importance of the 4,021-15 UP Runaway Gap as an Evolutionary Trend View area and psychological indication.

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