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ROHR ALERT!! Back to Data Seems 'Risk-On'

1 message

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Tue, May 25, 2021 at 10:55 AM

Dear Subscribers,
This morning's return to economic data from Monday's 'Not a Manic Monday' ALERT!! on the lack of releases due to Europe's Whit Monday holiday and Canada's closure for Victoria Day has seen constructive influences once again. While German GDP was a touch below estimates, its IFO Surveys were clearly above expectations. And US New Home Sales being a bit lower is in the same boat as the limited availability affecting Existing Home Sales. Other US data like Consumer Confidence only being so-so still leaves a constructive sentiment.

All of that said, it is important to remember that the early part of this week is the typical 'lull before the storm' of major end of month data. That is intensified this week despite next Monday being the literal last calendar day of the month. This is due to the UK and US respective Spring Bank Holiday and Memorial Day holiday next Monday. As such, the last business day in each is this Friday, with all of the last two days of the month economic releases coming into the end of this week.

While Wednesday sees a slight pickup in Asian data and the RBNZ rate decision, statement and press conference, it's all about Thursday and Friday data this week outside of a key 'rearview mirror' indication released this morning: OECD Q1 G20 International Trade Statistics (https://bit.ly/3fMp1eP for our modestly marked-up version) that points out the rise to a record level. And that is before the broader reopening which has evolved in the US due to pandemic suppression success.

With the rest of the world also seeing reopenings in fits and starts, it is possible to imagine a far more extensive global reopening and return economic growth that will resemble the track from back in 2019. Might that hit some speed bumps along the way? Certainly. Yet those are likely to be temporary in the context of expanding production and access to vaccines. That will be a further fillip for the global economy, and is showing up as the fully restored 'risk-on' psychology.

We recommend a look back at Monday's 'Not a Manic Monday' ALERT!! on the degree to which the US equities (and overall 'risk-on' psychology) were able to shake off the inflation concerns from two weeks ago into last week. That was of course first on the CDC rapid shift to a 'demasking' protocol for fully vaccinated folks after the pressure from heightened US inflation concerns two weeks ago.

That still left the fears over the Fed being behind the inflation curve in not paying attention to higher US inflation: as Chair Powell put it, "*Not even thinking about thinking about*…" tapering its QE purchases. That was debunked in Wednesday afternoon's FOMC Meeting Minutes release (https://bit.ly/3oyED9P for our slightly marked-up version.) The most important section for market psychology later on last week is in the right column of page 10 (as highlighted.) As FOMC is indeed seemingly *thinking about thinking about* the US

economy in its QE deliberations, it negated the 'Fed might have to hike rates sharply' concerns late last week.

As such, June S&P 500 future pushing back above the previously tested lower early April UP Runaway Gap 4,193 (daily chart) Objective would seem to speak of it maybe being ready to extend the rally to a higher 4,316 (weekly chart) Objective. And that push above the 4,193 (daily chart) Objective at this point is also above this week's 4,175-4,200 weekly Oscillator thresholds (MA-41 still rising $20/week.)

That also opens the door to exceeding the 4,238.25 new all-time high from two weeks ago. This is in the context of the higher Oscillator levels set up at the highest weekly Closes back in December rising to the 4,270 and (*wait for it*) ...4,300 levels this week. It is also therefore a Friday Closing indication which is much closer to that higher 4,316 (weekly chart) Objective. 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 an earlier substantial trend surge.

It is the same in a much more measured way for the other 'risk-on' psychology indications from the key foreign exchange area. While developed currencies are only gaining ground again on the US dollar in a nominal fashion, maintaining their overall bid has left the US Dollar Index overall trend still no better than the failed 91.00-90.50 support. Next lower support is the 89.50-.00 area.

However, the better 'risk appetite' indication emerging currencies are back to being well bid (outside of the vexed Turkish lira back under pressure today), pushing back toward recent highs after recent stubborn reactions. It all reinforces 'risk-on' psychology that will likely expand on a US equities up trend extension.

This is the critical consideration
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/3wsdqbl 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 was actually very reasonable based on the straight up surge from the gap into the upper-4,100 area prior to stalling in mid-April. Yet the inflation concerns which triggered the mid-April selloffs have been addressed.

As such, June S&P 500 future pushing back above the previously tested lower early April UP Runaway Gap 4,193 (daily chart) Objective would seem to speak of it maybe being ready to extend the rally to a higher 4,316 (weekly chart) Objective. And that push above the 4,193 (daily chart) Objective at this point is also above this week's 4,175-4,200 weekly Oscillator thresholds (MA-41 still rising $20/week.) 4,193 down to 4,175 should be viewed as a key near-term congestion area.

That also opens the door to exceeding the 4,238.25 new all-time high from two weeks ago. This is in the context of the higher Oscillator levels set up at the highest weekly Closes back in December rising to the 4,270 and (*wait for it*) ...4,300 levels this week. It is also therefore a Friday Closing indication which is much closer to that higher 4,316 (weekly chart) Objective. 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 an earlier substantial trend surge.

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