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ROHR ALERT!! Killing Them Softly

1 message

ROHR Alert <rohralert@gmail.com>

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Dear Subscribers,

While the title is a take on Roberta Flack's 1973 hit song, it is more so a riff on how the US equities bears are being quietly devoured by the steady grind higher. Early in our career we would also see markets above resistance, and buy into the more troubling aspects of the recent economic data to think that the 'sluggish' nature of the rally meant the market was vulnerable. This is as occurred in early May, yet with the critical difference that bears were able to create some downside volatility... which does not seem to be the case now (See Thursday's 'Big Data... Little Movement' ALERT!! below for more psychology and key technical levels.)

And there have been concerns with very mixed economic data during the critical late month releases. Those have been over inflation as well as some overtly weak headline economic numbers. Thursday tendencies continued today with firm European sentiment numbers into the same on US Personal Consumption Expenditure, Chicago PMI and steady yet strong Michigan Consumer Sentiment.

Yet the most telling of the mixed indications was encapsulated in Thursday's US Durable Goods Orders. As noted yesterday, *"Even a disappointing April US Durable Goods headline number (-1.3% versus +0.7% expected) was offset by the key capital investment indication from the Nondefense Capital Goods Orders ex-Aircraft soaring to +2.3% (versus +0.8% expected after last month's +1.6%)."*

While that is a very volatile data set, there is a silver lining in the weak headline number: along with some other weakish indications, it suppresses the idea the Fed (or other central banks) will be tapering sooner than expected. That could be reversed by very strong US employment indications. Yet for now it appears major accommodation will continue, and that will also help keep yields under control.

Along the way bears are being softly killed with not enough upside volatility to really damage them, yet with an absence of downside volatility that might shove June S&P 500 future back below key Evolutionary Trend View (ETV) technical and psychological 4,193-4,175 levels vigorously tested earlier this week. The upper level is the key lower 4,021-15 UP Runaway Gap Objective, while the lower end is significant recent congestion from the past several weeks' 'inflation conturbation' implosion to support and serial sharp rebounds back above the 4,100-20 area.

After the negative inflation response beginning two weeks ago, there was the 'rescue' from the CDC moving to a 'demasking' protocol for the fully vaccinated. Both the 4,120-00 area

and now 4,175-4,200 area have been prime examples of our longstanding '*Sherlock Holmes Market Psychology*' revisited on Thursday.

All of that said, there are cross currents in the 'risk-on' psychology that are less than a straightforward bullish view. While US equities appear ready to extend their rally (even if with a quiet denial of bearish technical tendencies for now), the global govies have a modest bid back again after weakening earlier this week.

And foreign exchange is seeing a near-term US Dollar Index rally. This is not any sort of 'haven' bid in only being back up to the bottom of the key 90.50-91.00 area. Yet it has seen the developed currencies back below some key trend resistance that should be violated if full global 'risk-on' psychology was really back in gear.

The more sensitive 'risk appetite' barometer of the emerging currencies are losing some ground, even if also still respecting lower support. The notable exception remains weak sister Turkish lira once again in trouble with USD/TRY trading up above last November's peak to a new all-time high above 8.5764.

If there is one drag from otherwise robustly bullish activity that might represent a drag on other upbeat economic and market indications it is Crude Oil. The front month future (June) is pushing above a March low-mid 66.00 area weekly DOWN Closing Price Reversal (CPR.) Anywhere above that week's 67.98 trading high is a new 2.5 year trading high, with next interim resistance not until the 70.00-71.00 area and more major historic congestion not until the 74.00-75.00 area. While also a sign of economic strength, it represents a potential economic drag as well.

Last yet by no means least, we wish a very happy long weekend to our UK clients on their Spring Bank Holiday, and to our US clients on their Memorial Day holiday. With both of these major centers out on Monday, we will also be taking the day off to honor the sacrifice of those who have served in the US armed forces. We will be back in the office on Tuesday with our weekly calendar and full analysis.

Courtesy Repeat of Thursday's 'Big Data... Little Movement' ALERT!!

As revisited in Wednesday's 'Eye of the Hurricane' ALERT!!, after the economic release lull early in this important last week of the month, today and Friday are going to be more intense than usual. That 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 today into tomorrow. And outside of weakish German GfK Consumer Confidence, limited European data was better than expected.

Even a disappointing April US Durable Goods headline number (-1.3% versus +0.7% expected) was offset by the key capital investment indication from the Nondefense Capital Goods Orders ex-Aircraft soaring to +2.3% (versus +0.8% expected after last month's +1.6%.) That is along with Initial Weekly Jobless Claims dropping to a better than expected 406,000 versus an expected drop to 425,000 from last week's stubbornly high 478,000. It's all about the reopening.

Yet the earlier activity today was stuck around the previously noted early April June S&P 500 future UP Runaway Gap Objective at 4,193 (see below), with the key lower congestion and this week's lower weekly Oscillator level being 4,175. The bears showed an inability to force the market back below that 4,193 Objective it had already been above back in early May prior to the 'inflation conturbation' crunch (for full discussion of why that wasn't more

of a problem see our May 18th ALERT!!) As noted previous, after the major correction, sustained activity above it now speaks of likely ability to push to the higher 4,316 Runaway Gap Objective.

Markets still have Friday's extensive data to deal with prior to the long UK & US holiday weekend, including more important European data, US Personal Income and Spending, Chicago PMI and Michigan Sentiment among others. Yet, as long as June S&P 500 future is above the 4,200 'big penny' it is more likely to resume the overall rally to a new all-time high above the 4,238 level from two weeks ago.

Of note, we are always quick to point out a 'big penny' (major round number) being purely psychological, and not reinforced as a significant Evolutionary Trend View (ETV) level. However, in this case the 4,200-10 area is also important previous short-term congestion since late April, and this week's higher end of the weekly Oscillator thresholds (the lower being 4,175.) As such, even the less than volatile activity back above the low 4,200 area will be telling into tomorrow.

It puts the burden of proof back on the bears to force the market back below that area in the same way they have so far failed to create any weakness back below the 4,193 Objective down to the 4,175 congestion. This is as opposed to the sentiment which accompanied the previous lack of upside volatility above 4,200 back in early May. By inferential reasoning, despite how little movement there has been over the past several days, unless there is a more extensive selloff soon the bears will likely be punished by a further rally. It get back to one of our favorite Sherlock Holmes deduction principles cited previous (like in mid-April):

"...the 'Sherlock Holmes Market Psychology' we recently cited once again (which has been part of our analytic approach for many years <http://bit.ly/25GidVh>.) While a variation of it is expressed in Arthur Conan Doyle's Holmes adventure 'The Sign of the Four' (Lippincott's Monthly Magazine, 1889), the full expression of this often revisited observation is, 'Once you eliminate the impossible, whatever remains, no matter how improbable, must be the truth.'"

"The economic inference from the continued positive 'risk-on' activity in the key asset classes must be, overall with potential short-term setbacks, that the US and global economic reopenings will continue to gain momentum across time." In the market it is of course not an option to 'eliminate the impossible', because nothing is actually 'impossible' per se; the market can do whatever it wants, whenever it wants, just because it wants to. For our purposes it is sufficient to eliminate the 'highly unlikely improbable' on a contingent basis of seeing if it actually works.

And that the other signs from the global 'macro' perspective remain 'risk-on' is another reinforcement for the resumption of a more aggressively bullish US equities trend. After a lengthy recovery rally, the global govies are back under pressure without having come anywhere near violating higher trend resistance.

And foreign exchange still reflects quiet strength in the developed currencies against the US dollar. While still subdued, their sustained bid also speaks of no tendencies at this time which indicate any reversal of strength that reflects a global economic expansion. The same is true to an even greater degree for the emerging currencies, some of which are gaining even more ground at present (outside of the still vexed Turkish lira) in another confirmation of 'risk-on'.

The other factor to watch in that regard is Crude Oil, as the front month future holding the 60.00-58.00 support out of March into April has seen it up testing the key early-March 66.09 weekly DOWN Closing Price Reversal (Tolerance 66.42.) Should that previous DOWN signal be overrun, the next interim resistance above that signal week's 67.98 2.5 year trading high is not until the 70.00-71.00 area with the more extensive resistance up into the 73.00 and 75.00 mid-2018 congestion.

The bottom line is that the US equities lack of more aggressive upward activity after what have been literally serial \$100 S&P 500 swings may seem a bit stale on the rally. Yet what movement there is still speaks of the ability of the bulls to control the trend in a quiet way after such sharp previous selloffs. Unless the bears can reassert their near-term dominance of the market below the levels noted above soon, expect the more aggressive bull to reassert itself... just as was seen out of last week Thursday into early this week.

Another Courtesy Repeat of Tuesday's 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.

Thanks for your interest.

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