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## ROHR ALERT!! Dual Dilemma

1 message

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Tue, Jun 1, 2021 at 11:30 AM

Dear Subscribers,

It does seem a bit odd that the US have been stuck in such a narrow range for an extended period of time during what was the heavy end of month data deluge last week into the major global Manufacturing PMIs this morning along with other economic releases. Yet, this is not totally surprising in the context of the mixed nature of the data, and the prevailing inflation psychology not being quite so pernicious as to foment any sharp central bank reaction just yet. While not quite the classical 'Goldilocks' psychology ("*not too hot and not too cold*") at present, it is close to it in a way that creates dilemmas for both the bulls and the bears.

The bears' dilemma is that the US equities (and as that broadly applies to as a barometer for the overall 'risk-on' psychology) have pushed back through the UP Runaway Gap (4,021-15) lower 4,193 Objective. It remained no worse than that area's 4,175 congestion Tolerance throughout all of last week despite the serial attempts to break back below it since it pushed above it on Monday of last week.

This was the reference in Friday's 'Killing Them Softly' ALERT!! title to how the bears were being set up for a subsequent rally despite the lack of further upside progress, unless those supports are broken (with another selloff attempt in progress this morning.) And the implications of sustained holding action is the reinvigoration of the bull trend for an extension to the 4,316 higher Objective (not to mention a far more extended 4,621 'swing count' Objective; see chart below.)

Yet the bulls also have the obvious dilemma of the lack of that more aggressive upside reacceleration of the trend to date. That could be partially on the mixed economic data, like the weak headline US Durable Goods Orders last week along with other key data being a bit softer than expected. That said, with European inflation indications coming in a bit stranger than expected this morning, there is also the issue of whether central banks will be forced to dampen accommodation sooner than they are currently signaling. For more on why the current higher prices are not as threatening as some would suggest, please see our May 18th 'Inflation Conturbation' ALERT!! for much more on why the banks can remain sanguine in the near-term in the 'supply disruption' price escalation for now.

In that regard, the weaker aspects of the current economic releases are almost like a bit of '*bad news is good news*' psychology that is damping down any clear central bank tightening. Regardless of what Chair Powell has said, the May 19th FOMC April 27-28 Meeting Minutes release made clear the Fed is '*thinking about thinking about*' tapering its asset purchases (see our May 20th 'More Inflation Conturbation Volatility' ALERT!!) That has relieved the immediate corners the Fed might be behind the inflation curve, yet without any actual tightening just yet.

That said, the key front month S&P 500 future weekly Oscillator thresholds move up another \$20 this week, to the 4,195 and 4,220 levels. As such, after overnight success in pushing up again from last week's lackluster Close, the current June S&P 500 future selloff

back below 4,220 must be a bit of a disappointment to the bulls, even if the lack of any further break below support remains encouraging.

This gets back to the break dilemma once again. As noted last Monday, the real key to 'turning' a trend (actually reversing the overall trend) is whether bears can get a market to '*break from a break*'. Most bull markets stall at some point and come under some pressure, as the sharper selloffs into mid-May demonstrated. However, even those initial US inflation fear-driven implosions failed to violate the key lower major trend support (that 4,021-15 UP Runaway Gap.) In the current case that means a far more limited failure not just to, but also back below 4,175.

As sluggish as US equities may seem on the rallies at present, unless bears can accomplish that violation of support (at least on a daily Closing), there remains a better chance the bull will find a way to reinvigorate itself at some point. It is also the case that the other 'risk-on' psychology barometers from foreign exchange remain in good shape. The other developed currencies (especially the euro) remain firm against the US dollar. While emerging currencies remain choppy at present against the greenback, they are keeping their overall bid as well (outside of the secular weakness of the still vexed Turkish lira.) Still all 'risk-on'.

Courtesy Repeat of last week's critical consideration (updated chart0  
[To be updated prior to Wednesday's Fed Beige Book]

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/3pal2fB> 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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