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ROHR ALERT!! Still Tedious, Contentious… and Bullish

1 message

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Dear Subscribers,
It is still a churning rather directional US equities bull trend. Yet as noted in Friday's 'Goldilocks Is In The House' ALERT!!, as tedious and contentious as the up trend has been, short of the bears managing to break the key near-term lower support (much less the major lower levels), the trend remains up. In fact, it is a bit amazing that with the June S&P 500 future back above the 4,175-4,193 congestion and UP Runaway gap Objective (see chart link below) bears have had five selloffs into that area since May 25th. Yet there was no bear joy on actually breaking it.

Yet as also noted on Friday, the 4,238 front month S&P 500 future all-time high into this week is also the next elevated weekly Oscillator threshold this side of the 4,316 higher UP Runaway Gap Objective. As such, things remain contentious into this week even as the other 'risk-on' psychology indications from foreign exchange (especially emerging currencies) and Crude Oil remain strong.

On today's economic releases the weakening of Chinese exports yet with imports rising is a positive sign that Chinese economic strength is spreading to the rest of the global economy. With few other critical economic releases today, we will be sticking with all of our views from Friday (the ALERT!! Is repeated below for your ease of access.) Both the 'macro' background and the technical trend discussion will be updated after Tuesday's extensive and more important economic releases at the beginning of several critical days into Thursday's US CPI release (recall last month's volatility) right into the ECB press conference after its rate decision.

Courtesy Repeat of Friday's ALERT!!
Talk about a perfect 'Goldilocks' (not too hot, not too cold) US Nonfarm Payrolls, it could not have been better than this morning's release. With little other data today outside of weak German Retail Sales, US NFP up 559,000 against estimates in the range of 620,000-665,000 was the 'just right' amount to encourage the US equities, and the balance of the 'risk-on' psychology. Both developed currencies that had sagged into late week and emerging currencies that had remained firmer than not have rallied. And global govvies have also pushed back up from some recent pressure, taking even more pressure off of recently weaker US equities.

In terms of recent central bank concerns over lagging currently hotter inflation, it was not too hot in a manner that might have caused knee-jerk US equities selling. It is in line with a 500,000 average per month gain the Biden administration has signaled is just fine. On a political consideration that fits in very nicely with the idea there are still roughly 8,000,000 fewer jobs than when the sharp COVID-19 quarantine economic implosion began. Think about it… at that nominal rate of gains, one year from now there will be an additional 6,000,000 jobs created.

While a big assumption, it is a tantalizing prospect for an incumbent regime that the jobs market (and ostensibly wages and spending as well) will be peaking into the early summer of a US midterm election year. In fact, much better that the employment growth is a bit more gradual than too intense in the near-term, which might actually require the Fed to cool things into a possible short-term recession.

As of Thursday there was also our 'US Equities Taper Talk Pressure' ALERT!! that related to Wednesday's Beige Book content "...*Messrs. Harker (Philadelphia) and Kaplan (Dallas) were indicating they felt it was time for the Fed to seriously discuss some sort of monthly bond purchase 'taper' to reflect the degree to which the US economy was already on the firm growth path*…" (We strongly suggest a read of that analysis for anyone who has not done so already.)

This is of course also loosely related back to the inflation concerns as it relates to the Fed's sustained QE program possibly being a driver for the price rises.

Yet with those inflation increases a bit erratic due to what the Fed sees as a range of temporary 'supply disruption' price squeezes (rather than the more pernicious 'demand-pull' excess wage increase inflation), it is not something likely to encourage any Fed action at this time. As to the future, we shall see. In the meantime and despite the corporate profit squeezer from higher prices, quite a few informed sources see the major consumer spending surge as something which will assist companies in overcoming higher costs. Also there, we shall see.

Yet there was also 'good' news which assisted in the US equities rescue from the sharp June S&P 500 future selloff into a vigorous test of the key low end of the 4,193-4,175 area in Thursday's early trading. That was the announcement that both sides in the US infrastructure negotiations had agreed to continue beyond the nominal current loose deadline. That probably upset some members of the Left wing of the Democratic Party who want to move to a partisan 'reconciliation' (simple majority of the US Senate) to approve the full Biden infrastructure plan.

Yet in the face of moderate Democrat opposition, it is unlikely that would happen in any event. And the 'kicker' for the US equities (and other 'risk-on' psychology instruments) on Thursday was the degree to which President Biden had also allowed he might be alright with no US corporate tax hike at all(!!!) Yet informed sources noted that was an aside to Biden's view (according to FOX Business) that he "...*instead offered to pay for the infrastructure plan by imposing a higher global minimum rate of 15% on U.S. companies' foreign earnings. In exchange, Republicans would have to agree to up their spending offer*." Here's the rub: while it sounds good this is another proposal that the Republicans would likely fight, and there is absolutely zero chance it can be approved timely at present.

On an important aside, this morning also brought news which is no longer a primary market psychology driver, yet still very important as a general 'macro' psychology driver: the FDA has just approved Regeneron's monoclonal antibody cocktail for use by injection… instead of previous hospitalized infusion. With all of the concern over the US (not to mention the rest of the world's) lack of full vaccination possibly not provisioning 'herd immunity', this is great news that may mean the timely administration of antibody treatment may fill the gap.

As we had noted in previous reviews of this both medically and economically very propitious area of COVID-19 pandemic address, the antibody treatments are a great development. Today's article in TheHILL (https://bit.ly/3uS1xuk) also revisits the point that the monoclonal antibody treatments have "...*demonstrated efficacy against variants of the*

***virus, including those first identified in Brazil and South Africa*. Pending further testing and news, it must be assumed for now that they will also be effective against the new Indian and Southeast Asian variants.**

In that regard, it's all good even if the US equities have been less than forceful in their recent rally resumption. That said, as we have noted again of late, "*The trend is your friend*." And the bears inability to regain control of the trend by knocking the June S&P 500 future back below the low end of that 4,193-75 range means the bulls actually still control the trend. While surprisingly stagnant in the wake of the heavy late-month and early-month economic data and other releases the past two weeks, we suspect a more aggressive rally will begin again soon.

We suggest watching the early-May 4,238 front month S&P 500 future all-time high, as into next week it is also the next elevated weekly Oscillator threshold this side of the 4,316 higher UP Runaway Gap Objective. As noted above, the global govvies are not a source of concern while they are reacting well to the weaker elements of the economic releases. Foreign exchange weakening of the US Dollar Index speaks of the resilience of the developed currencies. And the emerging currencies are being led higher by the SA rand (below 13.80 with the 13.23 February 2019 33-month trading low as the next major level), yet with even the recently weaker others (like the Mexican peso) getting the bid back at present.

Courtesy Repeat of the critical consideration (much the same, updated chart)
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/3wcAk7r 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. Yet that push above the 4,193 (daily chart) Objective at this point is also only into this week's 4,195-4,220 weekly Oscillator thresholds (MA-41 still rising $20/week.) 4,193 down to 4,175 should still be viewed as a key near-term congestion support.

Respecting the support still leaves the door open to exceeding the early May 4,238.25 all-time high. This is in the context of the higher Oscillator levels set up at the highest weekly Closes back in December rising to the 4,290 and (*wait for it*) ...4,320 levels this week. It is also therefore a Friday Closing indication which is now fully in line with that higher 4,316 (weekly chart) Objective. As is often the case, after a significant reaction a market can extend to higher levels that would have seemed near-term overdone in the context of an earlier strong trend surge.

Thanks for your interest.

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