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ROHR ALERT!! Data Drumroll into Wednesday-Thursday

1 message

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Dear Subscribers,
As noted in Monday's 'Still Tedious, Contentious… and Bullish' ALERT!!, recent data has been strong on balance… where that last bit is the operative term. It is important that some of the recent economic releases have been a bit worse than expected in the midst of overall good news. The poster child for that tendency was of course last Friday's 'Goldilocks' US Employment report. The slightly lower than expected Nonfarm Payrolls gain was along with other upbeat indications.

As noted right away on Friday, that was important because an additional 559,000 jobs (a bit below the 650,000+/- estimate) was just soft enough to support the Fed's sanguine intermediate-term inflation expectation. Yet it was in line with the roughly 500,000 average monthly job gain during the early Biden administration… along with stronger Hourly Earnings and a slightly lower Unemployment Rate.

And it continues into the more important data tsunami from today into Thursday, when the more critical US CPI (recall last month's volatility) hits right into the ECB post-rate decision press conference (08:30 EDT.) Yet for now, outside of a curiously weak German ZEW Survey Economic Sentiment reading (as there was a stronger than expected Euro-zone equivalent number), the economic releases out of Asia right into North America remain strong; especially with the just released US JOLTS (job openings) at 9.286 million (versus 8.30 million expected.) As we have noted for several months, even if global economic 'reopening' is going to unfold in fits and starts due to regional issues, 'risk-on' psychology will prevail.

The key things to look for next in a lighter yet important economic reporting day Wednesday are Chinese inflation, German trade numbers, and US wholesale Trade Sales into a Bank of Canada (one of the few signaling a taper back in late April) interest rate decision and statement. Yet along the way is the early OECD monthly Composite Leading Indicators (06:00 EDT.) While that 4-month forward overview is rarely a market moving release, its recent indications are that global growth outside the most heavily COVID-19 affected economies (India and Brazil) has continued at a moderate pace (see last month's here https://bit.ly/3f2O3Gc.)

Should that continue to be the case on Wednesday, it will reinforce the overall 'reopening' trade 'risk-on' sentiment. Thursday is also a major influence day in addition to whatever the US CPI and ECB bring, with a much lighter reporting day on Friday. As such, we believe that the US equities trend decision will likely be set by whatever transpires into Thursday afternoon for the current resilient rally.

Considering the economic data has been nominally upbeat and the key US and Euro-zone central banks are remaining fully accommodative, it is reasonable that June S&P 500 future has held all of the recent setbacks into the 4,193-75 support. Yet it has also failed to be more aggressively bullish again above the 4,200 area in not exceeding the early-May

4,238.25 front month future all-time high. That said, as we have noted during all the selloffs of the past two weeks to no worse than 4,193-75 (meaning bears' failure to even nominally reverse what is a seemingly sluggish up trend), the trend is your friend, and it remains definitively up.

However, in this case in an admittedly distended trend it feels like more of a bear squeeze than the sort of explosive rally seen during some previous phases of the US bull market since the March 2020 2,174 cyclical low. In fact, if it does manage to set that new all-time high, it might still act more so like toothpaste squeezing out of a tube than the explosive rallies seen at some points. Yet the key is that the same psychology applies: as long as it respects the 4,238 area as support on any subsequent setbacks, it will likely extend the rally. The most likely next threshold it can achieve is the 4,316 higher early-April UP Runaway Gap Objective.

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/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 in line with this week's 4,215-4,240 weekly Oscillator thresholds (MA-41 rising $20/week.) 4,193 down to 4,175 should still be viewed as key near-term congestion support.

Repeatedly respecting that 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 (*wait for it*) ...4,310 and 4,340 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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