



Alan Rohrbach <ar.rohr.intl@gmail.com>

ROHR ALERT!! Grinding Higher into the FOMC

1 message

ROHR Alert <rohralert@gmail.com>
Bcc: ar.rohr.intl@gmail.com

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Dear Subscribers,

However much it has been more effective to be bullish rather than bearish the US equities (and friendly to the general 'risk-on' psychology), it must be admitted this is more so a rally on a whimper instead of a bang. On today's light reporting day at the top of this week, it would seem productive to discuss why that is.

The bull trend is supported by a steady upbeat economic reporting environment, even if there are some disappointments along the way. Amidst what have been strong global PMIs and other data along with last week's bullish Organization for Economic Cooperation and Development (OECD) Composite Leading Indicators (<https://bit.ly/3csVDtx>), there was that slightly weaker than expected US Employment report a week ago Friday. Yet it is important to note that even the weaker than expected economic influences are assisting the 'risk-on' psychology.

That is through the function of those helping a Fed that wants to justify it being a more mixed than overtly bullish picture, where inflation could still be transitory on 'supply disruption' price pressures. That is as opposed to the more pernicious 'demand-pull' inflation based on runaway wages and spending. For much more on all of that, we suggest a read of Thursday's 'Still Buying the Central Banks' Line' ALERT!!, which fully explores the continued major accommodation stance of the ECB revisited last Thursday (even if a bit less so from the BoC and BoE.)

That is as we head into the next full FOMC announcement (projections updates included) and press conference Wednesday afternoon (beginning at 14:00 EDT.) The debate over just how much US equities monetary policy encouragement will continue with no immediate QE 'taper' plans may be resolved... and maybe not. The fine line the Fed is walking in this area will certainly be highlighted, likely especially in Chair Powell's press conference. What we know is that typical for an FOMC meeting week, there is no Fed-speak... meaning we just need to wait.

And it seems the markets are waiting as well, with the current 'grind' likely to continue at least until the FOMC announcements and press conference reaction. Even the other factor which might have the most negative impact on what has recently been a generally upbeat global reopening, is a two-edged sword from a central bank policy perspective: the rapidly spreading COVID-19 Delta variant. We still suggest a read of Wednesday's 'OECD CLI versus COVID-19' ALERT!! for much more on that more highly contagious and threatening variant versus the generally upbeat economic developments on the previous COVID-19 success.

There are certainly significant amounts of economic data and other influences between today's light, mostly upbeat economic releases and the Wednesday afternoon FOMC meeting results. That includes both important supply and demand figures and inflation indications. Yet with the markets floating on the sea of liquidity that the Fed and other

central banks are providing, there is little doubt it is challenging to draw definitive conclusions until we hear from the Fed.

In the meantime, the US equities remain bid, even if quietly so in a continued confirmation the 'risk-on' psychology is alive and well, even if not mightily thriving at the moment. That is also still reflected in emerging currencies maintaining their overall up trends against the US dollar despite recent reactions.

The fly in the 'risk-on' ointment at present is the global govies rally (i.e. lower yields), which typically more so reflects economic weakness concerns. Is it just a transitory reaction from the higher yields this Spring? Or are there other factors looming which might foment some sort of retrenchment in the previously upbeat global reopening psychology? The Delta variant becoming more widespread to a degree that could delay reopenings... as is already the current case in the UK?

Courtesy Repeat of the previous critical consideration (updated chart)
[To be updated on Tuesday's shift to September futures into expirations]

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/2RTca2F> 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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