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ROHR ALERT!! Calendar Considerations

1 message

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Dear Subscribers,
As you might suspect, by the time we are focusing on the calendar we do not have much new to say at this juncture. That said, it is the last day of the month, quarter and half. That could easily foment various rote portfolio adjustments which have little to do with the relevant market influences despite today's last day of the month data tsunami. Of note, the data right out of Asia through Europe (stronger activity with slightly lower inflation) and into the US ADP Employment report was constructive. As such, it makes it more interesting that US equities are struggling a bit. So are other 'risk-on' psychology barometers, like the developed currencies against the US dollar, even as emerging currencies turn more resilient.

Yet there are the calendar cross currents, and we suspect we will know that much more tomorrow on the first day of the new month releases. Those include global Manufacturing PMIs as well as an OPEC meeting and US Jobless Claims along with the Vehicle Sales reports. In the meantime, we still see the mixed economic data as continuing to empower central banks' continued accommodation plans.

US political pressures are making further stimulus in the form of infrastructure spending likely, yet not assured. There is still the issue of the Progressive Left influence causing Senate Majority Leader Schumer and Speaker Pelosi to say the bipartisan $1.2 trillion 'classical' infrastructure plan must be linked to their much larger 'social' infrastructure spending proposals. That is even though President Biden has reversed himself to deny any linkage is necessary on a bipartisan bill.

That still leaves the COVID-19 Delta variant as the likely global culprit behind any pressure on the 'risk-on' psychology indications, and the grudging nature of the continued US equities bull trend. As we have covered all of that at length in our previous two assessments (and have highlighted the global spread of the Delta variant as the more likely problem behind post-FOMC US equities and 'risk-on' psychology weakness since then), we repeat those below for your ease of review.

Courtesy Repeat of Tuesday's 'Delta Disruption' ALERT!!
As noted in Monday's 'Churning Risk-On Still Rules' ALERT!! (repeated below for your ease of access), pandemic, economic and political factors are the likely factors responsible for the grudging nature of the US equities rally. Yet it is also the current case that the other 'risk-on' psychology indications are reversing to a degree that is worrying… however, maybe less so for the US (at least for now.)

Considering the US political disarray on President Biden's flip flops on the future of the bipartisan $1.2 trillion 'classical' infrastructure proposal (now including broadband access expansion) has straightened out, that is not likely the culprit. Economic data coming in a bit mixed on another lighter economic reporting day (European sentiment and inflation) prior

to a data deluge Wednesday through Friday means the central banks are not under any further tightening pressure.

That leaves the pandemic factor in the form of the COVID-19 Delta variant as the likely driver for the weakening of the 'risk-on' psychology outside of US equities. As noted previous, that is not any sort of surprise with that pressure mostly falling outside of the US, from the UK around to much of East Asia, which is seeing selective lockdowns in Australia and Indonesia among other places. Is the US vulnerable to this wheeling around to affect it as well? Of course, yet mostly in the under-vaccinated Southeast (see the recent vax map https://bit.ly/35P5fLc.)

That said, the other factors are the central banks 'sea of liquidity' along with still moderately positive economic data and the prospect for more US stimulus in the form of infrastructure spending. That creates a 'funnel' effect driving investment into US equities even as the global picture is deteriorating to some degree. It is a 'TINA' US equities market right now: 'There Is No Alternative' to achieve a return.

That leaves the US equities trend into a new high based on the September S&P 500 future pushing above the immediate higher resistance at the recent 4,246 weekly DOWN Closing Price Reversal (CPR with 4,249 Tolerance.) The mid-June 4,267.50 all-time high (part of the DOWN CPR) being exceeded last week for another new 4,276.75 all-time high clearly Negated that topping signal. And it is continuing to churn above last week's high in the early part of this week, with the NASDAQ 100 leading a much weaker DJIA, refuting any central bank tightening..

Yet the global govvies are maintaining their recent recovery rallies overall, and the other currencies continue to sag against the US dollar in what looks like the return of a 'haven' bid to the latter. Looking more so like clear 'Delta Disruption'.

Courtesy Repeat of Monday's 'Churning Risk-On Still Rules' ALERT!!
However grudging the US equities rally (and general 'risk-on' psychology) may be, the overall context remains bullish for those instruments. That grudging nature of the bullish activity is readily explained by the whole series of influences which bring it into question, yet cannot seem to foment a full reversal at present.

The entire situation seems to be a classic variation of the old "*market (*which is to say equities*) climbing the 'wall of worry'*." At the fringes, and even a bit closer to the core drivers, there are indeed worries. Those include pandemic, economic and political factors. Yet for the 'risk-on' psychology these are still not prominent enough to either derail the global reopening economic expansion or trigger a negative impact on any premature central bank removal of accommodation.

On the last point, a major consideration is the mixed nature of economic data that seems less than encouraging for the economic outlook. Yet it is also encouraging the overall continuation of central bank accommodation. For markets that are floating higher on a 'sea of liquidity' that is a positive. It is as noted during the last bout of inflation worries weighing on 'risk-on' psychology in the wake of the FOMC meeting and subsequent Fed minions views on sustained inflation.

It was inconsistent with the major overly anticipated removal of central bank accommodation which would have hurt the tech sector that the NASDAQ 100 made a new all-time high on Thursday, June 18th (the day after the FOMC meeting and Powell press conference.) And that was while the DJIA made a new 2-month trading low… completely

counterintuitive for any withdrawal of liquidity in the context of a stronger reopening that could have hit the tech stocks.

Instead, that looked like more of the trade that might be in force if the COVID-19 Delta variant was becoming more of a problem globally (which is clearly now the case) and in the US (also becoming more of a problem.) In other words, the tech heavy NASDAQ 100 was behaving more so like a return to more restrictions after the recent 'back to normal' happy talk… and the same was true for the DJIA.

So that is one of the key areas of concern in the near-term, as is the US political scene as it relates to much anticipated further stimulus based on infrastructure spending in the wake of a very hopeful bipartisan agreement. Yet the positive US politics late last week turned into what we can only describe as '*political cleanup in aisle infrastructure*'. In what is the hubris which turns off moderates on both sides of the political divide, after what was a hard-fought negotiation to forge a $1.2 trillion bipartisan deal, the Progressive Left made a new demand…

...that the Biden administration not sign the bipartisan deal unless a much larger (by a factor or 5) solely Democratic 'social infrastructure' package was presented to Biden at the same time. And Biden seemingly bought into that in a statement shortly after the bipartisan deal announcement, specifically saying (as recounted in a Reuters article on the entire matter https://reut.rs/3y1D1ZE), "*If this is the only thing that comes to me, I'm not signing it."* This was at least incongruous.

Yet in an unusual Saturday pronouncement Biden said he wanted to correct any 'misimpression', with his statement, including that his comments, "... ***created the impression that I was issuing a veto threat on the very plan I had just agreed to, which was certainly not my intent*." We do not know how his very explicit Thursday statement could have been just an 'impression'. Yet at present that bipartisan $1.2 trillion deal seems back on track. However, this is the sort of thing the markets have to worry about on any expectation of future US stimulus.**

So the '*wall of worry*' versus anything more overtly bullish on the drivers for the current 'risk-on' psychology seems to be the case. As such, the current US equities churn higher rather a more explosive rally will need to be tolerated, with the recent propensity for sharp short-term reactions still likely (more below.)

The same seems to be true in foreign exchange, where developed currencies are slow to regain their recently lost bid against the US dollar. That could also be in part a COVID-19 Delta valiant differential based on the situation elsewhere being worse at present than in the US. Emerging currencies are also losing some of the ground they regained after somewhat substantial recent downside reactions. It is also of note global govvies have a bid back again, which is often a harbinger of some form of global stresses emerging… like a partial pandemic resurgence.

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/3hdbKNf 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.

The question on the recent downside reaction was whether the September S&P 500 future ($10 discount to expiring June contract) could re-establish upside momentum back above the 4,200 area from its weakness below the 4,175 Tolerance two weeks ago. It was necessary to make sure that Powell provided comfort on inflation and planned Fed action in his testimony last Tuesday.

That is exactly what transpired. That left the 4,200 area support once again if there was any setback from around the old mid-May 4,238 all-time high. Yet instead it churned above the Immediate higher resistance at the previous week's 4,246 weekly DOWN Closing Price Reversal (CPR with 4,249 Tolerance.) The new mid-June 4,267.50 all-time high (part of the DOWN CPR) being exceeded last week for another new 4,276.75 all-time high clearly Negated that topping signal.

It is now the case that the weekly Oscillator thresholds are 4,275 and 4,300 this week. The higher one is near the 4,316 higher Runaway Gap Objective, and the extended Oscillator thresholds (from December) are not until 4,370 and 4,400.

Thanks for your interest.

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