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ROHR ALERT!! Modest Manufacturing

1 message

ROHR Alert <rohralert@gmail.com> Thu, Jul 1, 2021 at 11:21 AM
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Dear Subscribers,
This morning's global Manufacturing PMIs were modest insofar as some of them were lower than expected. Yet overall implications are positive on the general level remaining well above 50.0, the expansion/contraction balance point. Therefore, despite the quirky US Manufacturing Employment Index dipping to 49.9 (possibly still influenced by the enhanced unemployment benefits until September 1 and other factors), the Manufacturing PMIs are a double blessing.

They remain strong enough to encourage a positive outlook, yet they are mixed enough to reinforce signals from other data that there is not as yet any cause for central banks to withdraw extensive accommodation. That is instrumental for US equities 'risk-on' psychology, based in part on the 'sea of liquidity' buoyancy from the central banks' programs. Yet there is the recent development of more caution outside of the US equities based on the more aggressive prevalence elsewhere of the COVID-19 Delta variant. That is leaving the US equities with the previously discussed favorable TINA (There Is No Alternative) psychology.

This is consistent with the September S&P 500 future setting new front month all-time highs every day this week on its way to higher Oscillator resistance into the 4,305-30 range for next week (more below.) Even though (as noted previous) we expected this to continue to be a grudging rally, the lack of any attempt to break lower support speaks of the steady confidence in the overall up trend.

However, the general global 'risk-on' psychology has come back under pressure outside the US on much greater COVID-19 Delta variant predations. It is the case now that global govvies rallying even modestly into serial new S&P 500 all-time highs is a sign of economic risk elsewhere. Yet even if deferred for now, there are US risks that were articulated in Tuesday's 'Delta Disruption' ALERT!! (repeated again below for your ease of access.) It bears close observation. Along with the US infrastructure disarray waning and central bank accommodation remaining (also touched on in Tuesday's analysis), that leaves Delta variant a prime suspect.

However, the more major sign the 'risk-on' psychology is under pressure outside the US is the 'haven' bid now apparent in the US Dollar Index sustaining its recent rally out above the recently (since last August) important 92.00-.30. That is after it attempted to slip back below it last week into early this week, even if the next interim resistances are as nearby as the 92.60 and 93.30-.40 areas. Those are also consistent with the other developed currencies having nearby supports into EUR/USD 1.1815 and GBP/USD at 1.3750 and 1.3650… it's going to be interesting.

Emerging currencies are also showing stress in their lack of a more substantial recovery (as had been seen in previous phases) from recent selloffs. The key South African rand trend has not seen USD/ZAR weaken back below the 14.20 area after its recent test of the

14.40-.50 (back there now.) Even the strong Crude Oil supported Mexican peso is seeing USD/MXN squeeze back above 20.00 after not breaking 19.80 again on its recent selloff. It all feels like a bit of 'risk-off'.

Another 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'.

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, yet moving up to 4,305 and 4,330 next week. They are now roughly around the 4,316 higher Runaway Gap Objective. Those will be important for this week's Close, as any push above

them in the wake of Friday's US Employment report will set up a possible up 'runaway' next week. Current extended Oscillator thresholds (from December) are 4,370 and 4,400, and move up to 4,400 and 4.430 next week.

Thanks for your interest.

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