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ROHR ALERT!! Goldilocks Meets TINA

1 message

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Dear Subscribers,

Much as we reported after the June 4th US Employment report, today's numbers were another 'Goldilocks' release... not too hot and not too cold. While today's addition of 850,000 jobs to US Nonfarm Payrolls (NFP) was quite a bit higher than the expected 690,000, the slightly lower Average Weekly Hours, modest 0.3% rise in Hourly Earnings and slight uptick to a 5.9% Unemployment Rate buffered that.

The little secret on the latter is that the higher Unemployment Rate can actually be a good sign due to additional folks seeking work who might have previously been on the sidelines. Yet a headline increase adds to other mixed classical economic releases (see Thursday's 'Modest Manufacturing' ALERT!! for more), which are allowing the central banks to maintain fully accommodative policies that might otherwise be under scrutiny for being too stimulative or inflationary.

We had reported since the FOMC meeting into the temporary September S&P 500 future weakness below 4,175 that the subsequent push back above the previous 4,238 all-time high was likely. It was clear to us at the time (and many others subsequent) that the US equities selloff was not acting like a "central bank accommodation withdrawal" selloff. That was due to the strength of the tech centric NASDAQ 100 making a new all-time high on the Thursday after the FOMC announcements and Fed Chair Powell's press conference, while DJIA set a new 2-month trading low. It was just not consistent with a withdrawal of liquidity.

However, it was consistent with the tech stocks getting a bid back on potential reversion to economic restrictions to facilitate the suppression of a resurgent COVID-19 spread due to the more transmissible Delta variant. That was also in the context of the US political cross currents around the 'classical' infrastructure spending proposal calming down after a bit of disruption, adding to the positive implications of mixed data allowing for continued central bank accommodation. (See the repeat of Tuesday's 'Delta Disruption' ALERT!! below for more on that.)

Ultimately the spread of the Delta variant in the rest of the world does not seem so challenging for the US equities, even as other 'risk-on' indications are showing some stress on a worsening pandemic situation elsewhere. This gets back to the 'Goldilocks' implications of relatively strong yet still somewhat mixed US data meeting the TINA ('There Is No Alternative') implications of there not being many other places in the world where investors can feel comfortable chasing yield.

And it may be much better in the US, even as there are current warnings the Delta variant is becoming more prevalent here on a general rise in new cases. That is due to the relatively high US partial and full vaccination rates. The full vaccination rate is nearing 50.0% with single dose vaccinations running at 55.0%. Yet that total masks the degree to which the coasts and upper Midwest are well above that, with significant vaccination rate weakness in the rural South and West.

On MSNBC this morning, ex-FDA chief and Pfizer board member Dr. Andrew Gottlieb noted the US may be in for “regionalized” COVID-19 Delta outbreaks based on that uneven vaccination profile. He noted this is especially in the context of the existing Pfizer and Moderna vaccines having a very high efficacy against that variant while the unvaccinated are going to be more prone to get the disease from the more transmissible Delta variant. It is also seemingly the case that the nature of the infection from the Delta variant is far more aggressive.

This is of course sad for the folks who (for whatever reason) are choosing to not be vaccinated. Yet it is also another reason why the TINA psychology might be driving the US equities higher while other ‘risk-on’ indications are waning (also obvious in the recent sustained global govies bid.) Even if the Delta variant becomes more prominent in the US, there may be more impact in rural areas, and less need to impose restrictions on the coastal and upper tier economy. That is a hope for the overall US economy to continue to reopen, even if in the fits and starts which have already been the case. That is a positive overall expectation.

The test of that proposition will likely come next week in the wake of the latest ‘Goldilocks’ economic influence from today’s US Employment report. This is because the September S&P 500 future has already rallied into the rising weekly Oscillator thresholds for next week at 4,305 and 4,330. That also includes a much delayed move slightly above the 4,316 early April (post-Good Friday Employment report) 4,021-15 UP Runaway Gap Objective... that’s right, the heavily churning nature of the rally means it took three months to move up \$300 since then.

There is more on that and the extended technical levels to watch below. Yet the combination of Oscillator levels advancing in conjunction with a key Objective will make next week a particularly critical Evolutionary Trend View horizon.

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 govies 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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