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ROHR ALERT!! US Equities Bull Grind Continues

1 message

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Dear Subscribers,
It is much as we noted in Friday's 'Goldilocks Meets TINA' ALERT!!, as the continued largesse flowing from central banks is reinforced by the mixed economic numbers. While that means there are some disappointing economic releases along the way, it also reinforces the ability of central banks to maintain maximum levels of accommodation in the near term. While the US in particular is coming under more scrutiny due to the seeming acceleration of economic growth and employment, the Fed still has a near term window to continue maximum QE.

To cut to the chase on the one possible prominent global headwind that is even in the US, there is also less chance the more transmissible COVID-19 Delta variant will create any major problem there. As noted previous, there will more likely be regional surges, and those will even be sub-regional in some of the more rural areas in the US South and Southeast. Sadly, this vaccination aversion tracks very closely with certain US political tendencies, which is a sign of the degree to which the entire COVID-19 and vaccination issue has been politicized in the US.

It is once again as noted in Friday's 'Goldilocks Meets TINA' ALERT!! (repeated below for your ease of review) on the nature of the vaccination success against even the Delta variant that the major vaccinated areas in the US are unlikely to experience any major economic drag from quarantines and lockdowns. As the major portion of the US outside the South and Southeast is also where the bulk of the economic activity occurs, this means the US is likely to continue to have a more robust economic reopening than much of the world… with the TINA factor.

That's the 'There Is No Alternative' on economic and market investing for now (see below.) That relative level of immunity was something ex-FDA chief and Pfizer board member Dr. Andrew Gottlieb noted in a CNBC interview as far back as two weeks ago (https://cnb.cx/2TGBvh5.) As a further irritant for the more susceptible environs, their government aversion to the sort of contact tracing which some Northeastern states have pursued means they are disadvantaged in not being able to isolate the source of their more aggressive Delta variant spread.

All of that said, the US can be subject to external Delta variant effects, like any shutdown in China affecting the export of products which feed the US penchant for imported goods from there. This is in the context of there already being a shipping container shortage for China exports, especially to the US. Even as CNBC noted in an extensive article several weeks ago (https://cnb.cx/3wk6ZqN) prior to the latest surge in Delta variant cases, this has the ability to affect the US.

And yet, the US equities are still grinding higher in the form of the September S&P 500 future feeding off of last Friday's beautifully mixed Employment report to push above key levels for the 4,342.75 weekly Close. Those are the higher 4,316 Objective of the early April

4,021-15 weekly UP Runaway Gap in the wake of the also positive Good Friday US Employment report (yes, it took it three months of previous churn to get there), and the current 4,330 weekly Oscillator threshold we previewed late last week. This creates some real trend tension once again.

Having overrun those areas late last week, will the September S&P 500 future be able to sustain the rally above them overall this week, or will it fail to do so? However much the early week selloff may look suspicious, after pushing up so smartly above the previous sustained range into the mid-4,200 area it must be allowed this is a reasonable reaction. The bigger question as this week evolves through key 'macro' indications will likely be whether it holds lower support.

In the first instance that will be whether this week's Close continues out over that 4,316 Objective. As important for the Evolutionary Trend View will be whether it can maintain the 4,300 lower end of this week's Oscillator thresholds, which is of course also a 'big penny'. While those are often of no technical significance, this week it is, especially in the context of that lower violated congestion support not being until the mid-4,200 area. That's quite a ways down from current levels.

Another reason to consider the US equities are benefitting from the TINA factor is the lack of clear 'risk-on' indications elsewhere. The global govvies are fully bid once again, likely on the Delta variant implications yet also on some significantly weak economic data this morning. Those include quite weak German Factory Orders as well as its ZEW Economic Sentiment. US Services PMI and especially the Employment Index were also very weak. Not much 'risk-on' there.

This is also manifesting itself in a stronger 'haven' bid in the US dollar against the other developed currencies, even if not exactly an upside runaway. Yet some of the emerging currencies are also weaker, with even Crude Oil assisted Mexican peso and Russian ruble coming under pressure on the current OPEC squabble.

Courtesy Repeat of Friday's 'Goldilocks Meets TINA' ALERT!!
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 last Tuesday's 'Delta Disruption' ALERT!! for very much 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 govvies 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.

Courtesy Repeat of Friday's 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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