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ROHR ALERT!! Pause Claws

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Dear Subscribers,
Much as we noted in Tuesday's 'US Equities Bull Grind Continues' ALERT!!, the US equities are benefitting from some of the weaker economic signs that are actually still encouraging continued central bank largesse. That is still under the TINA (There Is No Alternative) psychology on the degree to which the US is uniquely insulated from problems that are more so affecting the rest of the world.

We have repeated Tuesday's ALERT!! below for your ease of access, and in that regard especially note review of China's renewed COVID-19 infection problems. Those are affecting international trade on which much of the rest of the world relies for their economies. That the 'risk-on' psychology is under more pressure outside of the US is clearly from the more likely 'pause' that is already apparent and spreading in the rest of the world. That includes some hard hit areas in Asia outside of China, and in the UK and increasingly in continental Europe as well.

In one of the latest reports on that, Reuters notes (https://reut.rs/3qQEDmR) this morning that the French government is warning that the "COVID Delta variant could ruin summer." Official government spokesman Gabriel Attal clearly notes, "...*COVID-19 infection rates were surging higher in 11 metropolitan regions, and that the situation was deteriorating rapidly in the Ile-de-France region around Paris, with infection rates in the capital nearly doubling over the past week*."

The article goes on to note, "*Cases in Britain are soaring, while in Spain and Portugal the accelerating infection rate has already forced authorities to impose new restrictions such as curfew measures*." While this is well below the worst previous spread, the acceleration of the current infection trend is troubling, as it is rising by couple digits each week in the affected areas. This is attributed to the higher transmissibility of the Delta variant, and lack of broad-based vaccination.

The point is that there is already a degree of 'pause' in the previously confident 'reopening' that was driving both economic and market risk appetite psychology. The broader spread of the Delta variant into areas which have a low vaccination rate likely means there will be additional pauses in various countries on top of the international shipping issues noted Tuesday. While not a reversion to a full bear psychology, it has finally allowed the bear to show some of its claws.

Yet in the near-term this is just not in the US equities right now despite Tuesday's temporary selloff into a test of overrun resistance. That is going to be interesting later this week, and the overview of the various asset classes remains the same as below. In general this gets back to the psychology we discussed was not likely fear of central bank accommodation withdrawal on the initial reaction after the June 16th FOMC announcements and Chair Powell press conference. Even at that time it felt like anticipation of the COVID-19 Delta was the more likely problem.

Courtesy Repeat of Tuesday's 'US Equities Bull Grind Continues' ALERT!!
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!! (please see that for much more detail) 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 Friday's ALERT!!.) 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 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 4,305 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.

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 in mid-June for another new all-time high clearly Negated that topping signal.

It is now the case that the weekly Oscillator thresholds are 4,305 and 4,330 this week, which were Closed above at the end of last week. Even though there was a reaction back to the lower of those two thresholds as well as below the 4,316 higher weekly Runaway Gap Objective, the recovery to Close back above them is a resilient sign. Those will once again be important for this week's Close, as any push above them will point to the potential to extend the bull trend to the higher Oscillator thresholds (from December) at 4,400 and 4.430 this week.

Thanks for your interest.

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