



Alan Rohrbach <ar.rohr.intl@gmail.com>

ROHR ALERT!! Sub-Bifurcation

1 message

ROHR Alert <rohralert@gmail.com>
Bcc: ar.rohr.intl@gmail.com

Tue, Jul 13, 2021 at 11:08 AM

Dear Subscribers,

While there was a bit of another temporary knock on the US equities from another set of over the top US CPI numbers this morning, that does not seem to have engendered any lasting weakness. See a very timely and extensive Reuters article (<https://reut.rs/3hDxyCY>) dissecting the full extent of the US inflation overshoot.

Is it that markets agree with the Fed that all of this is temporary? Or is it more so that despite the headwinds from the inflation itself (possibly impacting corporate earnings) even prior to any central bank response, the US equities are continuing to benefit from the TINA (There Is No Alternative) covered extensively of late?

Our view is that it is a bit of both. And on a sheer Evolutionary Trend View, the rapid September S&P 500 future recovery from today's CPI knock (lasting less than 90 minutes) is reflecting still very bullish underpinnings of US equities. It is of note the post-CPI selloff also only made it down to the higher of this week's 4,355 weekly Oscillator thresholds. This means it never even came close to that 4,316 overrun UP Runaway Gap Objective. As noted again in Monday's 'On the Cusp of Upside Acceleration' ALERT!! (repeated below for your ease of access), that points to a more extensive rally in the near-term to above the 4,400 area.

The other aspect becoming more prominent in a COVID-19 Delta variant plagued world is the 'sub-bifurcation' of the weakening of the 'risk-on' psychology. It is the case now that some countries have both the Delta variant weakness which had led to the US equities benefitting from that TINA psychology, and also individual 'country' considerations. That is relevant for South Africa that is now adding political violence to its already burgeoning COVID-19 problems.

As such, it is not much of a secret why the rand weakness has seen USD/ZAR strengthen above recent and historic 14.40-.50 congestion. And that is while the still churning Russian ruble and Mexican peso have strengthened on the back of Crude Oil mostly holding its bid despite recent OPEC disarray. In fact, energy price strength was a component of the US CPI overshoot. And the Delta variant is also likely part of weakness of other developed currencies against a greenback that has seen the US Dollar Index once again pushing above the 92.00-.30 area.

If there were not other complicating factors, it would be easy to see this split even in the trends of various emerging currencies and strengthening of the US dollar as a vaccination 'haves' and 'have nots'. Yet the other factors now point to the degree to which the individual 'country' cross currents are having as decisive an impact as that major vaccination consideration, which does remain prominent.

As such, while the initial recent bifurcation was on the US equities maintaining strength in the face of other 'risk-on' instrument trends weakening, in addition to that TINA factor there

are now individual 'country' influences which are causing divergence among the weaker vehicles. This 'sub-bifurcation' is likely to remain prominent in a current geopolitical situation that is going to remain unsettled.

Courtesy Repeat of Monday's 'On the Cusp of Upside Acceleration' ALERT!!

As noted in Friday's 'Wheels Back on the Bus' ALERT!!, Thursday's combined negative factors that highlighted the long-expected COVID-19 Delta variant negative implications for the global economic reopening were not enough to keep US equities under pressure. This is especially interesting in the context of the other 'risk-on' indications remaining under some pressure into this morning.

There is the renewed pressure on the developed currencies and even more so emerging currencies against the US dollar. Global govies also getting their bid back to a limited degree after their modest selloff late last week in the wake of what had been a major midweek surge. Not much sign of 'risk-on' there, with the global Delta variant impact likely the cause, with the US somewhat immune.

It was especially telling (as noted Thursday morning) the front month S&P 500 future peak had been only somewhat above the higher 4,316 Objective 4,021-15 of the early April UP Runaway Gap. Similar activity slightly above the lower of the UP Runaway Gap 4,193 Objectives back into early May led to a major correction back below it. It also took six weeks of churn from nearly a test of that 4,021-15 UP Runaway Gap to finally fully exceed the low-mid 4,200 area three weeks ago.

Yet there are good Evolutionary Trend View reasons for the current situation to be more bullish. In the first instance, overrunning that lower 4,193 Objective left the higher 4,316 Objective as a higher resistance. That is now not the case with the reaction and rapid recovery above the 4,316 area. Also as noted previous, "*Technical Objectives are funny things.*" On one hand UP Objectives are targets which can often act as resistance from which markets at least react to some degree in the near-term. That was the case back in early May through late June.

On the other hand, they are much like other higher resistances in a bull market, which can act as support once they are overrun. This relates to the historic bull trend analysis (rhetorical) question, "*When is a ceiling a floor?*" Answer: once it is exceeded to any degree. That shifts the current sense of *déjà vu* more so toward the recent substantial weekly Close above the lower 4,193 UP Objective than anything seen since it was originally traded slightly above in early May.

As also noted previous, "*This once again opens the door to more aggressive extension of the September S&P 500 future up trend, especially now that it has shaken off extended US and especially global impact of COVID-19 Delta variant.*" The higher weekly Oscillator thresholds into 4,330 and 4,355 this week." The S&P 500 ability to Close last week marginally above those levels puts more of a burden of proof on the bears. They need to create at least a stall into the 4,355 area once again, and overall weakness back below 4,316 or suffer a further rally.

That leads to the follow-on question of just how much further US equities might strengthen if the September S&P 500 future can indeed sustain activity above the 4,316 higher of the two Runaway Gap Objectives? Well, the next Oscillator resistances based on last December's trend extensions are into 4,425 and 4,455 this week, and they are still rising \$25 per week on the back of weekly MA-41.

That reinforces the current bifurcated 'risk-on' psychology where much of the rest of the world might be suffering worse consequences while the US equities continue to attract investment. This would be the extension of the previously noted TINA effect (There Is No Alternative.) And that might be reasonable with mostly the US South and Southeast more vulnerable due to lack of vaccinations.

Yet even that US outperformance relies to some degree on the continued largesse of central banks. However, that is now more likely to be sustained in the context of the Delta variant predations. Is anyone still positing there will be a withdrawal of central bank accommodation in the same way as briefly topical in the wake of the June 16th FOMC announcements and Chair Powell's press conference.

In fact, it is just the opposite. Last Friday the PBoC eased its RRR (bank reserve requirement), as discussed in Friday's Reuters article (<https://reut.rs/3r5pAWt>) on the need to counter its slowing economy. That might be tied into fear over Delta variant spread impeding export activity in key ports (as also discussed previous.)

After recent signs the Fed and ECB remain committed to major accommodation, this week sees a BoE Statement and Minutes along with the Financial Stability Report (Tuesday); Wednesday's RBNZ rate decision and statement followed by the same from BoC with Governor Macklem's press conference; that is followed by Fed Chair Powell's semiannual House Monetary Policy testimony and the Fed Beige Book. Thursday brings Powell's Senate testimony into Friday's BoJ rate decision and statement followed Governor Kuroda's press conference.

In the evolved context of the Delta variant impact, are there any bets out there that any of those are going to bring central bank accommodation withdrawal? While we might end up surprised, we think not. The final piece of the accelerated bull trend puzzle already came this morning in the form of OECD Composite Leading Indicators (CLIs <https://bit.ly/3i4iOw0> our mildly marked-up version.)

It is important to note again that OECD takes a conservative six month forward view, which allows a two month lag in its data analysis to ensure the indications are sound. Fair enough that this might leave it a bit behind on incorporating key influences like the recent rapid spread of the Delta variant. Their recent CLI release content has even noted, "*...persisting uncertainties might result in higher than usual fluctuations in the CLI and its components.*" Very important.

Yet the title and statistical thrust of this morning's release is "*CLIs continue to expand steadily.*" Once again noting this may end up being misguided, it would indicate a four month forward view that the developed and emerging economies will continue to benefit from the overall reopening, with the only negative note being, "*... whereas it continues to signal slowing growth in Brazil.*" As that is based on almost total failure to address COVID-19 even prior to the Delta variant, this is not a global concern with even indications for India being 'stable growth'.

As such, with central bank accommodation likely to continue in full bloom, and Delta variant restrictions hitting harder outside the US, the TINA psychology is likely to continue. That could easily drive a positive US equities psychology even if there is less than great economic data (of which there is much) and/or early corporate earnings this week while other risk assets suffer to some degree.

Courtesy Repeat of Monday'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/3yPQ7ts> 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 was whether overrunning the 4,200 area (including that lower 4,193 Objective), just meant a likely test of the higher (weekly Chart) 4,316 Runaway Gap Objective? Yet 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 being ready to extend the rally to the higher 4,316 (weekly chart) Objective.

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 4,330 and 4,355 this week, which were Closed above at the end of last week. Even though there was a reaction last week below back to the lower of those two thresholds as well as 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 4,425 and 4.455 this week.

Thanks for your interest.

NOTICE: The Rohr International, Inc. research team or its principals may already have entered positions or have orders working based on this view.

This Current ROHR TREND ALERT!! will be available soon via the sidebar at www.rohr-blog.com for Gold and Platinum echelon subscribers.

Please reply 'Unsubscribe' if you no longer wish to receive these emails.

Contact: rohralert@gmail.com

This review of market positions and all other information is strictly for educational purposes. This information is provided without consideration of portfolio requirements, suitability for financial risk, or psychological state of any recipient. Any use of this information to implement actual trades or investments is the sole responsibility of the individual or entity authorizing that decision. This waives your right to any claim of explicit or incidental liability for financial loss or forgone profit against Rohr International, Inc. and any informational contributors under all circumstances. Information contained herein may have already been disseminated to others who may have acted upon it. Implicit in the Rohr educational services is the understanding that principals or employees of Rohr may have already taken positions. By review of the Rohr Alerts and/or Rohr Views and all attendant information you confirm receipt of them as educational content, as well as agreement with all of the stipulations articulated above.

A service of Rohr International, Inc.

© 2021 All international rights reserved. Redistribution strictly prohibited without written consent