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**ROHR ALERT!! How Bad Might It Become?**

1 message

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**Dear Subscribers,**

**That's a very good question. And as we noted again in Monday's 'Olympian Failure' ALERT!!**, "...*the market gets the final say.*" This is why it is now so important to crystalize the Evolutionary Trend View of especially the US equities along with select other markets. The September S&P 500 future has specifically finally dropped back toward key trend support levels that the front month future seemed to avoid reaching on any reactions since the last significant selloff.

That was the bout of nerves which drove the wide sideways September-October price churn into last November's US general election. While at various points since the late-October 3,225 trading low the week before the election the front month S&P 500 future has retested the key weekly MA-13 trend indications, it never quite got back down to the more aggressive UP Channel from the major 2,174 March 2020 pandemic implosion trading low. That support projection is dictated by the topping activity into June and September (link to chart below.)

While slightly missing it back on the late June reaction, early this week that 4,210 area UP Channel support was neared on Monday's drop to 4,224. As usual, we are also interested in any confluence of technical trend factors which reinforce the critical nature of a seemingly important trend decision area. In this case there is also weekly MA-13 at 4,240, which means any sustained violation of the 4,200 area would speak of at least a near-term trend reversal for more of a correction.

Yet as also noted on Monday, one of the striking aspects of the current selloff is the degree to which it is an analog for the early-May overrunning of the lower 4,193 early April UP Runaway Gap Objective. That not being sustained led to a significant downside correction. And after attempting to overrun the higher 4,316 UP Runaway Gap Objective over the past several weeks, any violation of near-term trend support would speak of a similar potential for the current selloff.

It is also of note that the 4,200 area (i.e. around that old 4,193 Objective) is an interim congestion area. On the other hand in light of this morning's near-term recovery from Monday's carnage, the 4,300 area is violated support, with its violated 4,265-80 congestion Tolerance as more immediate resistance. That sums up the near-term contingencies, even if with more prominent support lower.

That is of course into the 4,200 area noted above, and not much below that until the 4,120-00 area. In addition to that being clear congestion, that support vacuum is also reinforced by the nature of the May and June holding actions and selloffs. Yet if there is more of a correction based on the Delta variant predations on the global population and by extension economy, there is key lower support back into the 4,000 area based on that 4,021-15 early April UP Runaway Gap. And it will indeed be very important whether that holds or is

overrun by any degree should the market weaken that far. As a gap, it should provide extra support in that area.

However, if it is overrun by any degree (below the 3,950 congestion and weekly MA-41), there could be significant further damage. To be clear, in the context of at least much greater COVID-19 vaccination, we are not suggesting anything quite as dire as last year's 36% selloff from the early-February 3,397.50 high to the 2,174 March trading low. The current equivalent would be a drop to the 2,800 area.

However, if the front month S&P 500 future should violate 4,000-3,950 support, the next major UP Channel is not broadly until the 3,600 area (once again link into the chart below.) That may seem like a long way down even from the 4,000 area. However, note how the March 2020 failure of the 3,000 area support led to such a rapid test of the 2,600 broader UP Channel support; and that was despite the clear June-October 2019 bull trend pullback lows in the 2,855-2,728 range.

That sums up both the near-term and broader contingencies facing US equities on this reaction to the more troubling Delta variant surge noted for a while. It is somewhat like last February-March, when neither positive 'rearview mirror' data nor the splashing out of central bank largesse were able to restore the 'risk-on' psychology once the initial COVID-19 spread was deemed a global catastrophe.

The US equities view is also more important now that 'risk appetite' is back into more correlation between asset classes. While they had been detached from the US equities more upbeat sentiment for a while, both the developed currencies and emerging currencies seem to be under pressure on the latest shift to more of a 'risk-off' psychology. This is apparent in the strength of the US Dollar Index, as noted in Monday's 'Olympian Failure' ALERT!! (repeated below for your ease of access) along with the assessment of the extended global govies strength.

The operative 'macro' question from Monday remains: How can the sustained less upbeat COVID-19 Delta variant influence possibly be reversed if the broadly expected upbeat reopening psychology remains under near-term pressure?

**Courtesy Repeat of Monday's 'Olympian Failure' ALERT!!**

That is literal in the current case regarding problems facing the current long deferred Tokyo 2020 XXXII Olympiad on COVID-19 Delta variant problems. It is also emblematic of what is now transpiring around the world, and the nature of that problem for the markets insofar as it is becoming more threatening by the day on a possible return to economic restrictions. In that latter reference it is a sign of its importance, much as was often attributed to the ancient Greek gods.

Trouble among the deities was often blamed as the source for major problems among the mortals of the time, where 'Olympian' was often a term for the sheer magnitude of problems; much as we have referred to certain negative influences as 'Brobdingnagian'. And while up until Friday the US equities and other 'risk-on' psychology indicators had been (as in Friday morning's ALERT!! title) 'Resiliently Risk-On', they always are until they aren't. And some headline problems are now both reflected and amplified by problems at the not yet opened Tokyo Olympics: like key athletes in various games withdrawing due to COVID-19 infection.

After much striving to create the right conditions and tightly control any chance of a broader outbreak, the Tokyo Games are already looking like a failure. There is no joy in

sharing that view. Yet how many of the most high profile competitors will need to withdraw before the results are not considered relevant for world title success in many categories. Of course the problem is the highly contagious nature of the Delta variant, which amplifies concerns for the wider world.

That is in addition to the more highly vaccinated US, where the folks in the vulnerable (i.e. vaccine resistant) areas are seeing a very aggressive spread. There are now hospitals in the rural US South and Southeast which are already overwhelmed by COVID-19 cases again. These areas are generally underserved by the medical community, due to the lack of funding in their areas. They are telling folks to not bother showing up, because they do not have any ICU beds.

Yet the problems of the more highly transmissible Delta variant are even more intense in other major unvaccinated areas, which is to say also those with very low overall vaccination rates. That is much of Asia in addition to Japan, Eastern Europe and the Mediterranean. As such, it is not unreasonable to expect that pandemic suppression measures cannot be far behind (as some have already been instituted), with their reversal of the recent hopeful reopening measures.

In fact, there are places in the US South and Southeast which are seeing the resurgence of COVID-19 cases that are still not imposing any restrictions. One of the most adamant anti-restriction politicians is Florida Governor DeSantis. He is still committed to his state remaining open, even though Florida is now seeing every bit of 20% of all new US COVID-19 infections. He even had the legislature pass laws against local government COVID-19 restrictions. As noted previous, this is a politicized issue in the US, as is also the case in some other countries.

Yet that leaves an impediment to effective reimposition of pandemic suppression protocols, despite the obvious resurgence of the disease on Delta variant spread. However much the politicians on the more conservative anti-masking and vaccine resistant side might want things to still be more constructive, the market gets the final say. And as noted many times according to the old adage, "*The market (which is to say equities) is a creature of expectations.*" And as opposed to the expected boost to all 'risk-on' instruments from still major central bank largesse in the context of positive data, expectations have quickly reversed to 'risk-off'.

As far as the market reflection of this, while not yet as bad as February-March 2020, there is a meaningful reflection of the weakness. And we are providing this quick review to expedite timely delivery of this analysis, with the full updates of the analysis and charts after today's Close. That will facilitate the most effective assessment of the now radically changed situation across all asset classes.

As we have consistently noted for US equities, the September S&P 500 future had held up into last week's 4,355 higher near-term Oscillator threshold. Until late last week into a weekly Close that sagged badly. While Friday's Close was still just marginally above the overrun 4,316 early April UP Runaway Gap Objective, it looked stale after two weeks of challenging Oscillator resistance unless it was bid from the top of this week... obviously not the case even in overnight trading.

As noted previous, the lower key near-term support was the 4,300 area, with a Tolerance to the Thursday, July 8th trading low. Even that had already been violated by as early as 07:00 EDT today. Also explored previous was the analog with the early May overrunning of the lower 4,193 early April UP Runaway Gap Objective, yet with significant downside correction

once that was not sustained. That saw front month S&P 500 future react back near the 4,021-15 Runaway Gap.

This now feels more relevant again at present, as the resurgent COVID-19 Delta variant driver for the economic concerns is likely to remain for a while. From a trend perspective the question becomes where are the next key levels to watch to understand whether this is still just a more major, somewhat overdue correction, or a more serious reversal? Well, initially the old early April highs above the 4,193 Objective are in the 4,240-30 area already reached on the sharp selloff into this morning; also relevant as weekly MA-13. While there is some internal congestion around the 4,193 Objective, the more prominent congestion is back into 4,120-00.

That was the important level it washed out below back in early May on the way to the near miss on fully retesting the 4,021-15 UP Runaway Gap. The latter also still remains the next lower key bull trend support below the 4,120-00 area.

The US dollar Index extending its rally above the 92.60 area nearer the 93.30-.40 area (including the March 93.43 8-month trading high) is another minor sign of the return of a 'haven' bid. That is not surprisingly on the other developed currencies sagging closer to lower supports. There is also a bit of pressure on emerging currencies from the 'risk-off' psychology, yet also from key country factors. Recent OPEC agreement on higher production is likely as much a culprit for Crude Oil falling not just from 74.00-75.00 resistance, yet also back below the 71.00-70.00 range. That is behind some of the Russian ruble weakness.

However the greatest indication of a risk-off psychology taking hold is the rally extension in the global govies. The September T-note future is not only up into yet also back slightly above the 134-00/-16 congestion set up during the wild March 2020 COVID-19 churn up into the 140-235 all-time high. Of note, that has a bit of a weekly Closing failsafe resistance into the 135-00 area weekly MA-41 and key temporary reaction trading high (134-27) from the way down this March.

The similar activity in European govies is less pronounced, as the September Bund future is only up to the top end of the 175.00-.50 congestion. September Gilt future has only ranged up into its 130.00-.50 key congestion, and has currently sagged just a bit below it. However, all of these conditions require significant reversal to indicate this is a temporary interruption of the 'risk-on' psychology. And the operative 'macro' question is how that will be possible if the broadly expected upbeat reopening psychology will remain under near-term pressure?

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/2UZokbC> updated through Monday.)

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 seemed to speak of it being ready to extend the rally to the higher 4,316 (weekly chart) Objective.

The question on the previous 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. That was necessary to make sure the market felt Powell provided enough comfort on inflation and planned Fed action in his testimony at that time.

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

It was the case that weekly Oscillator thresholds were 4,355 and 4,380 last week, which were tested but Closed back below at the end of the week. In fact, Friday's weakness looked particularly problematic in being back down around the 4,316 higher weekly Runaway Gap Objective. That meant further overnight weakness into Monday was finally the first real problem for the bulls in a while. That will once again be important for this week's Close, with its 4,300 area and its 4,275 Tolerance also being key indications after Monday's sharp selloff.

As the nature of the extended lower supports like the 4,200 area have been thoroughly reviewed in today's opening discussion, we strongly suggest a review of that and the lower contingencies for anyone who has not done so already.

Thanks for your interest.

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