Gmail

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

# ROHR ALERT!! Bifurcation on Steroids

1 message

**ROHR Alert** <rohralert@gmail.com> Tue, Jul 27, 2021 at 11:31 AM
Bcc: ar.rohr.intl@gmail.com

**Dear Subscribers,**
**While it might reverse at any time, the disparate 'risk appetite' activity in the other asset classes compared to the US equities has only become more pronounced. While the US equities are reacting this morning, the recent September S&P 500 future rally had exceeded key near-term weekly Oscillator thresholds (4,375 and 4,400) since the end of last week. This continued the recent pattern of late week strength (other than on the quickly reversed downside reaction two weeks ago.)**

**That creates a dilemma for bears of needing to create more extensive weakness than was the case into early last week. This is because the extended temporary selloff into early last week held very close to the aggressive weekly UP Channel in the low 4,200 area. That is now the same for this week, reinforced by the 4,224 trading low from last week, and prominent weekly chart May-June congestion.**

**It seems that is a long way down from even the current downside correction into the upper 4,300 area. This is no worse for now than the 4,375 weekly Oscillator threshold, and still well above the 4,316 higher of the two early April Runaway Gap upside Objectives. Those are key lower levels which are of more near-term interest this side of that more major consideration of that aggressive up Channel support in the low 4,200 area (see the chart link below for a look at that.)**

**Yet the resilience and extension of the US equities bull trend is still in the context of broader global trends which speak of a 'risk-off' psychology. That includes the continued rally (even if a bit more incremental now) of the global govvies. It is the case that while the September T-note future has fallen back a bit, it has not been able to sustain any selloff back below the low end of the ley 134-16/-00 area; and is now back up into the high end of that range. This is a 'risk-off' indication.**

**Similarly, the September Bund future inability to recently even slip back below the high end of its prominent 175.50-.00 range, Which it had not sustained activity above since late-February. Its current new high for the rally since its mid-April low is now actually getting closer to next higher 177.00-.50 prominent congestion, which it has also not been above since February. While weak sister September Gilt future has not as yet sustained activity back above its important 130.00 area, it has sustained its recovery from the 128.00 it struggles to hold in April-June.**

**While the developed currencies are holding in a bit better of late, as indicated by the US Dollar Index slipping back toward the 92.30-.00 area, emerging currencies are still weak overall. And that is typically a sign of the lack of any broader global economic strength, even if the Russian ruble and Mexican peso are rallying back on the recovery of the Crude Oil from below its 70.00-71.00 area.**

**The question over why we are leading with such extensive market views instead of our typical 'macro' background can be answered in two ways. In the first instance, we're catching up with Monday's inability to provide analysis due to technical difficulties. In addition, we always note that the markets get the final say on the trends, and they still seem to be mostly reinforcing the highly bifurcated US equities versus the world psychology we have noted again for some time.**

**The market activity may be an indication of the unequal recoveries due to very different international levels of vaccinations. This might explain some of the Gilt relative weakness versus the T-note and the Bund, due to the very much more successful UK vaccination program (especially as compared to the US.)**

**Yet if there are going to be greater problems among the countries suffering with the lowest vaccination levels (as already seems the case), then it is a good reason why the US equities may be benefitting. In that case, it will be more so a matter of whether any global slowdown will heavily affect the US, or it will remain economically immune despite the impact of import shortages and other factors.**

**On the other hand, there is the issue of money chasing yields. That has been the case on the sustained massive central bank accommodation, which now has less chance of abating in the face of the Delta variant predations. That was apparent in the ECB communication and press conference with Q&A (see repeat of Friday's 'Doin' the Bifurcation Boogie' ALERT!! below for much more in all of that.)**

**And the next round of just how accommodative the central banks are going to remain and for how long is looming in Wednesday afternoon's FOMC interest rate decision (14:00 EDT) and even more so Fed Chair Powell's press conference (beginning at 14:30.) While Powell will undoubtedly be pressed once again with questions on what seems more stubborn inflation than the Fed had expected, there is every chance he will reconfirm the commitment to monetary largesse.**

**At that point it will be important to note whether the US equities are functioning on the 'TINA' principle once again: whether all of the excess liquidity flowing from the central banks finds investors chasing yield considering alternatives, and deciding relative to other asset classes 'There Is No Alternative' to US equities. That is going to be the most important for the overall performance of the elevated US equities valuations, and also how the alternatives perform. With the 'rearview mirror' economic indications continuing to weaken (as we had noted previous), the US equities performance after 'Fed Wednesday' will be particularly important even as the balance of the heavy late month economic releases hit in late week.**

**Courtesy Repeat of Friday's 'Doin' the Bifurcation Boogie' ALERT!!**
**The various asset classes are dancing along to different tunes at present. That is clear from the impressive US equities rebound into a sustained bid after the early week mini-debacle… yet with the other asset classes still reflecting the recent COVID-19 Delta variant pressures. This means that the answer to Thursday's opening question "Will 'Friendly ECB Anticipation' Stick?" ALERT!! title is, "Yes, if you happen to be US equities." … and no, if you are the other asset classes.**

**While they were not posted timely to include in Thursday's assessment, the key ECB indications can be easily accessed online, variously at: Policy Decision Press Release [https://bit.ly/2TvXO9m](https://bit.ly/2TvXO9m); Policy Statement [https://bit.ly/2W9IlbI](https://bit.ly/2W9IlbI); and President Lagarde's Press conference video: [https://youtu.be/hbRjSC32IGM](https://youtu.be/hbRjSC32IGM). It all boiled down to confirmation of**

**the already very accommodative stance, with mention of the degree to which the Delta variant remains a negative contingency.**

**That last bit has been reviewed at length of late, and we refer you back to our latest update from Thursday's "Will 'Friendly ECB Anticipation' Stick?" ALERT!! (repeated below for your ease of access.) That is for the indications on the degree to which the vaccinated are at risk (including a lack of any US clarity on whether the vaccinated can spread the virus), and especially for the unvaccinated.**

**There is also the recently noted weakening of even previously strong 'rearview mirror' economic data releases. This was highlighted in Wednesday's 'Much the Same on Delta Variant' ALERT!!, and continued into Thursday's limited data releases around the ECB meeting. Today has seen weakening global Advance PMIs outside of Germany as well, even in the previously strong US.**

**That all makes the current US equities rally back above last week's front month S&P 500 future weekly 4,360 DOWN Closing Price Reversal and its Tolerance to the previous week's 4,364 trading high that much more incongruous. Again, this is in the context of other asset classes still reflecting a 'risk-off' psychology, which represents a clear overall trend psychology bifurcation. The shift back to major sustained central bank accommodation on weakening global economic indications leaving the US equities strong gets back to the recently noted 'TINA' psychology (There Is No Alternative.) It seems that can continue for now.**

**If the September S&P 500 future maintains that strength into this week's Close above the 4,360-64 weekly DOWN CPR, the next resistance will be into the still rising ($20 per week) weekly Oscillator thresholds at 4,370 and 4,395 next week. Those will obviously be very critical if overrunning the DOWN CPR leaves the market challenging them above last week's 4,384.50, which is very near at hand. The extended thresholds from December up into 4,465 and 4,495 next week.**

**Yet the continued overall strength of the global govvies and weakness of the developed currencies against a 'haven' bid in the US Dollar Index up closer to the 93.30-.40 historic congestion speaks of 'risk-off'. That is also on the emerging currencies remaining under pressure, recently below key supports that had been respected on previous tests. It's all "doin' the bifurcation boogie" for now.**

**This is the critical consideration**
**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? That is clear on the front month S&P 500 future weekly chart ([https://bit.ly/3BM2VDC](https://bit.ly/3BM2VDC) updated through Friday.) 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.**

**After the downside reaction into early last week, last Tuesday morning's recovery back above the 4,300 area violated support left the higher resistance into the previous week's 4,360 DOWN Closing Price Reversal with a Tolerance to 4,364. And it is of note that the September S&P 500 future had managed to retest that area right into the ECB press conference prior to weakening once again Thursday morning. That was the critical resistance which it was successful in exceeding late last week. (See above for the higher resistance discussion.)**

**That sums up the near-term contingencies, even if with prominent support lower. The more major lower support is also the low 4,200 area based on the aggressive weekly UP Channel from the March 2020 pandemic-driven major cycle low (see the chart.) Of note based on previous form, there is 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.**

**That said, if the September S&P 500 future can sustain activity later this week above the 4,375 and 4,400 weekly Oscillator thresholds, those will rise another $25 into next week. That also means that by next week the higher Oscillator indications will rise from 4,470-4,500 this week to 4,495 and 4,525 next 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.**

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