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ROHR ALERT!! Grudging Inspiration

1 message

ROHR Alert <rohralert@gmail.com> Thu, Jul 29, 2021 at 10:53 AM
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Dear Subscribers,
That contrarian phrase is the market reaction to Wednesday afternoon's FOMC Statement (https://bit.ly/3i7hNoi) and Fed Chair Powell's press conference into this morning's first wave of the end of month data tsunami. As the answer to Wednesday morning's 'Can the Fed Inspire US Equities?' ALERT!! title inquiry, it follows that in his own right Jay Powell was not that inspirational for US equities.

Note the September S&P 500 future weakening after an attempted push above the 4,400 weekly Oscillator threshold in the wake of Chair Powell's press conference. That was a sign that despite his commitment to full accommodation in the face of COVID-19 Delta variant impact, nobody at the meeting talking about tapering the Fed's bond purchases, and that any actual rate hike is a long way in the future, the ability of the Fed to inspire the US equities bull trend is limited at this point.

Yet any further weakening of already softening 'rearview mirror' economic data that was already occurring might foster a 'bad news is good news' psychology. What else can one infer from this morning's September S&P 500 future push back near the recent new 4,416.75 all-time high in the wake of a serious miss on the first look at Q2 US GDP (a 6.5% rise versus 8.5% expected.) So while the FOMC Statement was as expected and Powell really had nothing new to offer (other than defusing any thoughts of Fed tightening), weaker data does tend to reinforce the notion that the Fed and other central banks will continue major accommodation.

Interestingly enough, that also seems to be restoring a bit of risk on psychology elsewhere, even if the global govvies continue to maintain their recent rallies (with only a bit of retracement today.) However, foreign exchange has turned a bit more upbeat against the greenback today, with the US Dollar Index weakening back below its key 92.30-.00 on an intraday basis so far. Will this continue to signal a reversal of recent developed currency weakness against the US dollar?

The key Evolutionary Trend View aspect to watch is the EUR/USD recovery back above the 1.1815 interim support after not slipping anywhere near the 1.1700 more major level on the recent selloff. If that is the case, then another rally up into at least the 1.2000-1.2100 area is likely, with a commensurate weakening of the US Dollar Index back into low 91.00 area support (including weekly MA-13 & MA-41.)

That would be a real indication of the recently dented 'risk-on' psychology being restored after the sustained weakness of the emerging currencies as well. In that regard, even the recently vexed South African rand has seen USD/ZAR weaken back toward the 14.50-.40 range, with both the Mexican peso and Russian ruble strengthening again on Crude Oil pushing well above 70.00-71.00 congestion after recent weakness below it. This all speaks of greater global reopening success after the recent worries about the resurgence of

COVID-19 on the higher transmissibility of the Delta variant… is it possible this is a passing phase?

Even with the US now being literally plagued by the major infection surge in its unvaccinated areas (substantially the South and Southeast), the question is whether that will be a major economic drag despite the human tragedy. At least at present, the markets are acting like the economic performance will not be that heavily affected. If that is actually so, there are several market implications.

The first is that the US equities may have been more forward looking than many other markets in maintaining their bid despite some short, sharp reactions from which they so readily recovered. It also means that foreign exchange should indeed see the other currencies continue to improve against the US dollar.

And last yet by no means least, at some point sooner than not, the global govvies should begin to sense that the overall world economy will continue to improve despite regional COVID-19 problems. In that regard we are especially watching the September T-note future for any sign it is slipping convincingly back below the low end of 134-16/-00 range it has only managed to test on recent pullbacks. That might be enough to reverse the recent extended strength of the Bund, and weigh further on a Gilt that did not really rally as well as the others (and tellingly that might be on the higher UK vaccination rate despite recent COVID problems.)

With that we refer you back to Wednesday morning's 'Can the Fed Inspire US Equities?' ALERT!!, with its indications of what the Fed influence (and now the overall psychology) might mean for the late week US equities activity. That also notes the forward view on what to look for from the Oscillators into next week.

Courtesy Repeat of Wednesday's 'Can the Fed Inspire US Equities?' ALERT!!
Short and sweet today, as the view remains substantially the same as Tuesday morning on the cusp of the FOMC rate decision at 14:00 EDT and Chair Powell's press conference at 14:30 EDT. What we witnessed yesterday was the US equities bull trend psychology taking a 'dent' on the temporary trading below the lower September S&P 500 future 4,375 near-term weekly Oscillator threshold, yet recovering into this morning to around the higher 4,400 threshold.

As such, at least so far this looks like one of those recent temporary US equities setbacks which can lead to a timely resumption of the upward momentum. It is just a bit more critical late this week, as the market already being up into this week's higher threshold will need to see enough late week strength to rally above next week's $25 Oscillator rise to the 4,425 area to maintain momentum.

And as revisited in Tuesday's 'Bifurcation on Steroids' ALERT!!, the serious lack of 'risk-on' activity in the other asset classes remains a sign of just how divergent the intermarket trends are at present. Global govvies remain well bid despite the modest reaction today from Tuesday's strength. Other currencies remain weakish against the greenback in a way that still leaves the US Dollar Index up trend in good shape above the 92.30-.00 range. Unless it is back below that key area, the developed currencies are not reflecting global economic reopening strength.

While the 'rearview mirror' economic releases have seen a couple of bright spots this morning, they are weaker on balance than up until the middle of last week. That removes one of the previous pillars of US equities up trend support, along with the worsening

situation on the aggressive COVID-19 Delta variant spread burden on the global economy. With that we refer you back to the important market trend oriented Tuesday 'Bifurcation on Steroids' ALERT!!

Along with the continued central bank largesse, that also once again notes the degree to which US equities might be benefitting from a major 'TINA' psychology. Both the 'macro' background and Evolutionary Trend View for all markets will be updated in the wake of whatever we hear from the FOMC and Mr. Powell today.

Courtesy Repeat of Tuesday's 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 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.

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