Gmail

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

ROHR ALERT!! BoE Reconfirms Maximum Accommodation

1 message

ROHR Alert <rohralert@gmail.com> Thu, Aug 5, 2021 at 10:11 AM
Bcc: ar.rohr.intl@gmail.com

Dear Subscribers,
As noted in Wednesday's 'Very Much the Same into BoE Thursday's ALERT!!, today's BoE rate decision and statement, Meeting Minutes, and quarterly Monetary Policy Report (https://bit.ly/3lvtWWc overview with links to extended content) along with Governor Bailey's classical ensuing press conference (https://bit.ly/37oK57l) was the next major 'macro' influence inflection point. Fortunately for the US equities (and others) bulls, the Bank did not disappoint in its commitment to continued accommodation despite a current inflation surge.

This brought the typical press conference questions about inflation, which will rise further prior to abating; GDP growth that will continue on the back of greater UK and now global vaccination rates despite near-term concerns; balance sheet reduction that will begin slowly with the Bank ceasing reinvestment of proceeds from current holdings, yet not actually reducing its stock until it raises the base Bank Rate to 0.50%. This is all consistent with the other major central banks' indications, and in that regard delivered no untoward market surprises.

It also indicated that risks remained to the downside, especially in the wake of the recent impact of the COVID-19 Delta variant it indicated might explain quite a bit of the recent labor market 'friction'. That's fancy language for the degree to which employment is being affected by some folks' lack of desire to return to work. It is much the same as the far less well-vaccinated US, with the coda that quite a few folks in the UK might have chosen to return to full-time education during the 2020 recession, and are still committed to that for now in search of higher wages later.

Quite a few more highlights and specific citations from the Bank can be found in this mornings' very timely CNBC article (https://cnb.cx/3yqFgXh.) CNBC cites the inference from BlackRock Investment Institute's chief UK investment strategist Vivek Paul, "*This implies* (the Bank) *now expects the next policy tightening cycle to be far more gradual — and to a lower end-point — than in the past*." This is once again completely consistent with the other major central banks, whereas prior to the Delta variant BoE had seemed more inclined to tighten sooner.

All the rest remains the same as previous as we head into the US and Canadian Employment reports on Friday. Outside of some limited European economic data, North America will be the 'macro' influence focus into the weekend. And the US Employment report in particular is very contentious this time. As noted on Wednesday, the ADP Employment Change only coming in at a gain of 330,000 against a 695,000 estimate was versus a very strong US ISM Services PMI.

It is also of note that the ADP figures have been significantly out of line with the ensuing US Employment report's Nonfarm Payrolls (NFP) numbers of late. And as it was much weaker

last month (+680,000 versus an actual NFP of +850,000), there is room for US employment bulls to have room for a lot of hope into tomorrow.

All of this is still in the context of the continued predations of the COVID-19 Delta variant in the US, and the question of whether that impact will spread from the very beleaguered South and Southeast into the Northern climes (which already seems to be the case on a preliminary basis.) The obvious bottom line we have previously reviewed at length is not so much the sheer pandemic resurgence, yet rather more so whether it takes an economic toll once again in the near-term.

In the meantime (as noted again on Thursday), it is reflected in the 'risk appetite' psychology bifurcation in the various asset classes. The September S&P 500 future is less upbeat in stalling into the 4,400-25 weekly Oscillator threshold. That is consistent with the rally extensions in global govvies, even as they give back a bit of their recent rallies' new highs in the wake of Wednesday's US ISM Services.

Yet foreign exchange remains a more convoluted picture of less than impressive developed currencies gains against the US dollar, as the US Dollar Index remains parked back up in the important, recently violated, 92.00-.30 range. Yet it is the emerging currencies showing quite a bit more strength, which would normally be associated with a resumption of a global 'risk-on' psychology. However, that is neither apparent in the US equities nor especially the global govvies at present.

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/3fl1RNk 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 that Thursday morning. That was the resistance which it was successful in exceeding.

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 4,400 and 4,425 weekly Oscillator thresholds, it will be a sign of continued strength after they rose another $25 into this week. That also means that this week the higher Oscillator indications will rise to 4,495 and 4,525.

However, the more pressing issue on last week's late weakness was whether it could recover from early Friday weakness to exceed the 4,400 area once again. That was a twofold indication. In the first instance, could it strengthen enough to Close last week above at least the 4,400 lower near-term Oscillator threshold to maintain upside momentum, and now whether it will exceed it this week.

That is also with the higher near-term Oscillator threshold up to 4,425 this week. That will also be an indication of whether it can convincingly Negate last week's 4,403 next DOWN Closing Price Reversal, even if that was ostensibly a very mild DOWN signal. Even so, with it being tied into the Oscillators this week, that could make it more telling in terms of an extended bull trend that is feeling stale.

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