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**ROHR ALERT!! US Equities Grind Higher**

1 message

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Thu, Aug 12, 2021 at 11:23 AM

Dear Subscribers,

While it has been every bit of the 'Lackluster Jailbreak' noted in Tuesday's ALERT!! headline, much like the previous couple of weeks the US equities are maintaining the minimum upward momentum to respect the rising weekly Oscillator thresholds. On one hand that reinforces overall 'risk-on' psychology even as it is less apparent elsewhere in a way that is troubling. On the other hand, lack of any US equities failure below near-term support is a positive indication.

While the sluggish nature of the US equities rally is still troubling, that it has managed to continue seems to be providing renewed support to the 'risk-on' psychology elsewhere. While foreign exchange has seen recent weakening of both developed currencies and emerging currencies against the US dollar, that has reversed to a modest degree over the past several trading sessions.

That said, US Dollar Index remains well above the violated 92.00-.30 resistance after not quite reaching the key 93.30-.40 higher resistance both in mid-July and earlier this week. That 'haven' bid in the greenback speaks of more of a 'risk-off' psychology than expressed by the US equities. And much like the US Dollar Index not knocking out resistance, as previously noted EUR/USD has held its recent selloff into the key 1.1703 late-March 9-month trading low. That also has a lot to do with whether its Head & Shoulders top (<https://bit.ly/3jvPI9E> weekly chart through Friday) is a bona fide signal for a move to lower levels. We shall see.

Another interesting indication on whether there is more of a 'risk-on' psychology returning is the global govies reaction to generally elevated inflation numbers over the past week or so. While they are high outside the US as well (everywhere from Asia through Europe this week), Wednesday's somewhat better US CPI being followed by new all-time high PPI today is troubling. While it is always a question whether that flows to CPI, it is not an encouraging development overall.

However, in the wake of all of this inflation pressure, the September T-note future is holding up in the mid 133.00 area. That is only a bit below the 134.00/-16 area it recently traded above, and still well above the key lower 132.00 area it recovered above after slippage in March and repeated tests through June. The weak sister September Gilt future is holding in the mid 129.00 area, only a bit below the major 130.00-.50 area it recently traded into; still well above the key lower 128.00 area it only recently recovered above after slippage throughout March into all of June.

Then there is also co-strong sister September Bund future holding the mid 176.00 area, only a bit below the 177.00-.50 area it recently traded above. That leaves it still well above the key lower 175.50-.00 it pushed above in mid-July after a more telling violation of the 172.00-.50 area it had stalled into through all of June.

The question here is, of course, with the Cassandras fretting over the recently sustained higher inflation indications (including some central bank officials), why aren't global govies that were seeming to reflect more 'risk-on' until early July back under more pressure? Their resilience seems to speak of reasons to doubt the recently strong global reopening 'risk-on' psychology will continue. We have reviewed quite a few Delta variant reasons for this in recent analyses.

And the broader electronic 'finance-o-tainment' press is also coming around to our more definitive perception of the real market impact. Even in the context of the recent strong data (US Employment and inflation), CNBC's Senior Economics Reporter Steve Liesman said this morning that the next set of numbers (i.e. the August indications released in September) will be a key to assessing the Delta variant impact on the US economy. This is a 'given' buffering near-term decisions.

Of course, as many of those will be released prior to the next major September 21st FOMC announcement, they will also be a significant influence on Fed policy perceptions... even more so than the Jackson Hole Symposium in two weeks. That also obviously has to do with the timing of the announcement and the fact of any Fed QE tightening through reduced monthly bond purchases. And on that point there now seems to be an atypical strong split among FOMC members.

Dallas Fed President Kaplan has been very vocal of late on the FOMC needing to announce the QE taper in September, and actually purchasing fewer bonds as early as October. He is the most hawkish along a spectrum that extends to Fed Chair Powell remaining very accommodative. And that is where the Delta variant pressures come into play. Those include cancelled events and weakening airline reservations (see below), which might be a sign of broader consumer reticence.

There is also a still struggling labor hiring market based on employee resistance (including whether kids will indeed be safe going back to school) despite the very strong headline 'rearview mirror' data in many areas. Along the way US equities have seen September S&P 500 future 'grind higher'. That is with a question late this week over whether they will pull off the same strong finish to end up above the higher 4,450 weekly Oscillator threshold after exceeding that level at 4,425 late last week. Yet as the lower level moves up to 4,450 next week (with weekly MA-41 still rising \$25 per week), it is once again very important this week. All of that said, only weakness at least back below 4,425 would appear troubling.

Repeat of Wednesday's 'Moderating Inflation into Consumer Reticence' ALERT!!

While the US equities are finally pushing further above the recent key resistance, that remains less than impressive, as was already noted in previous analyses and especially in Tuesday's 'Lackluster Jailbreak' ALERT!! (we suggest a review for those who have not done so.) The reason for this may well be that the better than expected 'rearview mirror' economic data is being countered by the Delta variant cross currents due to the rampant US spread (see Tuesday) as well as elsewhere.

As we have repeatedly noted, the issue is not the pure new infection rate so much as the impact on public perception. Whether folks are less inclined to participate in the 'gathering' activities which have so decidedly driven success to this point of the global 'reopening' is the real issue. And a very significant sign of that has just surfaced this morning, in the form of a profits warning from US carrier Southwest Airlines. This morning's timely Reuters article (<https://reut.rs/2VDQbik>) lays out the key details, like Southwest becoming *"...the first big U.S. carrier to warn of a hit from the more infectious Delta variant of the coronavirus..."*

Even more detail on the nature and extent of the Southwest warning was shared in CNBC airlines expert Phil LeBeau's report (<https://cnb.cx/3xJNadi>) on the Southwest situation being driven by *"...a real deceleration in close-in bookings and also seeing acceleration of close-in cancellations."* He notes this is all the more striking after an interview just three weeks ago where Southwest CEO Gary Kelly was adamant that the Delta variant was not having any effect on Southwest. The same was indicated last week by Frontier Airlines, also based on the public's renewed fears likely also applying to other activities (dining, hospitality, etc.)

On the other hand, the global inflation numbers came in about as expected today, which is somewhat of a win for markets and the central bankers on no additional upside surprises that had been the case over the past several months. And one of the key items there was the leveling off of US used car prices that had previously been up so sharply. Obviously this is also a bit of a fillip for US equities insofar as it reinforces the central bankers ideas on inflation (hopefully) being transitory.

As that will also assist them in maintaining full accommodation, it is once again a bit surprising that it has not created even more radical US equities strength. However, this will need to be monitored later this week for any sign September S&P 500 future will be able to surmount not just the lower 4,425 weekly Oscillator threshold, but also the higher end 4,450 area (just as it rose above the higher of the two 4,425 level at the end of last week.) It's going to be interesting again.

Along with that it must be allowed that the other asset classes are reflecting a bit of a repaired 'risk-on' psychology. The global govies may have stabilized a bit after recent weakness, yet are not regaining any significant ground from their selloffs late last week. That's a bit of a 'risk-on' indication along with both the developed currencies and emerging currencies firming against the US dollar. Especially note that at least so far EUR/USD has defended its key 1.1700 support.

**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/3xwOLTt> 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 early July downside reaction the 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. It is of note the September S&P 500 future had managed to retest that area right into the ECB press conference prior to weakening once again the following Thursday morning.**

**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, the September S&P 500 future sustaining activity later last week above the 4,400 and 4,425 weekly Oscillator thresholds was a sign of continued strength after they rose another \$25 into last week. That also means the higher Oscillator indications rise to 4,545 and 4,575 next week. As such, the Oscillator indications remain important on the at least so far 'lackluster jailbreak' from late last week, with the key levels rising to 4,450 and 4,475 next week (on weekly MA-41 up \$25.)**

**Thanks for your interest.**

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