
ROHR ALERT!! Waiting on the Minutes

1 message

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Dear Subscribers,

As was reviewed in Tuesday's 'Wild and Woolly' ALERT!! (repeated below for your ease of access), there are now three negative factors which might combine to foment the first larger US equities retracement in some time. For perspective, the last large (if temporary) September S&P 500 future selloff was the mid-July drop from the front month future 4,384 all-time high to the following week's 4,224 trading low. Selloffs of a similar magnitude (more or less) from all-time highs had also occurred in mid-June and mid-May, with similarly rapid recoveries as well.

That was due to none of the previous selloffs violating the weekly MA-13 on the important weekly Close indication. This informs our view of what to look for next on the September S&P 500 future even if the lower 4,225 congestion and lower 4,380-65 range are violated. Into next week the front month S&P 500 future weekly MA-13 moves up to approximately 4,345. It is also of note the more aggressive weekly UP Channel is up to around that level into next week as well (which can be seen on the weekly continuation chart <https://bit.ly/3AYivej> through last Friday.)

Perspective on combined weakening 'macro' influences from inflation concerns to the US and global COVID-19 Delta variant pressures are already incorporated into the markets to some degree. What is in flux on the stronger of the recent 'rearview mirror' data releases (like the US Employment report) is consideration of whether the Fed (and the other more accommodative central banks) will be pushed into earlier accommodation retrenchment than previously thought.

The FOMC has already seen some members forcefully lobby for earlier Fed bond purchase reductions; most notably the Dallas Fed's Kaplan, yet with murmurings from some others as well. However, this is offset by more recent weakening of some US indications, like Michigan Sentiment and Retail Sales. Those seem to reinforce resurgent COVID-19 Delta variant-related economic pressures that were the rationale behind the Fed's sustained accommodative stance in the first place.

As such, despite the fact there has been three full weeks of additional economic indications since the July 28th FOMC announcements and Fed Chair Powell's press conference, this afternoon's release of that meeting's minutes (14:00 EDT) will be closely scrutinized for the overall 'taper' sentiment. In light of the recent less upbeat data, this will need to be taken with an entire canister of salt.

That said, with the recent most aggressive calls being for a 'taper' announcement as early as the September 22nd announcements and press conference, with the bond purchase 'taper' to begin with the November 2-3 meeting. This is also most interesting, as the September announcements will include the release of the latest FOMC Summary of Economic Projections. This will be especially important for any sign future FOMC psychology might remain more accommodative.

This is all that much more important to markets due to the degree to which US equities have managed to rally at times when 'risk-on' indications from other asset classes have waned (as has been the case again of late.) This is an indication of just how much the US equities have benefitted from the classical TINA ('There Is No Alternative') investment flow psychology, and that must be taken into account on the reaction to this afternoon's FOMC minutes release.

Add to that even the limited number of new COVID-19 cases in New Zealand fomenting a several day shutdown, and clear indications that today's central bank 25 basis point base rate increase (to 0.50%) plan was put on hold based on the Delta variant spread. This is further reinforcement for the degree to which central banks are sensitive to NOT wanting to remove accommodation too quickly while the pandemic weighs on economies, despite the now obvious inflation risks.

More details on the specific 'macro' headwinds and market contingencies can be reviewed in Tuesday's analysis below, and Monday's 'The Delta Glitch?' ALERT!! (also repeated below for your ease of review.) The key levels to watch in the September S&P 500 future are 4,450 and 4,425 on a weekly Closing basis. In the foreign exchange markets, EUR/USD ability to either hold or failing below the now heavily tested 1.1703 late-March trading low will be another key 'risk-appetite' indication along with whether global govies continue to stall into resistance.

Courtesy Repeat of Tuesday's 'Wild and Woolly' ALERT!!

As noted in Monday's 'The Delta Glitch?' ALERT!! (repeated below for your ease of access), it is most often the case that only a combination of three negative influences can create a sustained downside reaction in a US equities bull trend. Monday's wild September S&P 500 future trading saw a recovery from a trading low below this week's 4,450 lower near-term weekly Oscillator threshold up to the higher threshold at 4,475 by the Close. That \$42 rally from an early 4,432 trading low to a late session 4,476 high was almost as wide as last week's range.

Yet the same negatives still apply (see below for more.) It is basically the growing consumer concerns about now ingrained global inflation along with both the US COVID-19 Delta variant impact (especially on Fall term school attendance), and a renewed Chinese COVID-19 resurgence with restrictions that spill over into affecting global trade as well as parts-dependent manufacturing elsewhere.

That view was revisited again on Monday, with the signs of consumer reticence on close-in airline reservations and accelerating cancellations reviewed in last Wednesday's 'Moderating Inflation into Consumer Reticence' ALERT!! Yet the obvious impact on already weakening 'rearview mirror' economic data was in Monday's key Chinese numbers, and now in US Retail Sales. This is going to make Wednesday's UK, Euro-zone and Canadian inflation numbers into the Fed's afternoon release of the FOMC July 27-28 meeting minutes most interesting.

In any event, the overall September S&P 500 future decision on whether to hold up and exceed the higher near-term Oscillator threshold (for the third recent week in a row) at 4,475 this week, or finish the week below the lower 4,450 threshold is going to be very interesting again this week. The lack of any sustained return to a more robust 'risk-on' psychology in the other asset classes tends to support the bearish perspective. Yet the degree to which the US equities have exhibited a 'bifurcated' strong psychology in recent times (the TINA 'there is no alternative' investment flow driver) must be taken into account. We refer you back to all of the situation specifics (especially the EUR/USD indications) reviewed on Monday.

Courtesy Repeat of Monday's 'The Delta Glitch?' ALERT!!

While on Friday our ALERT!! title was 'The Grind Higher Succeeds', we have consistently highlighted the residual threats to the US equities 'risk-on' psychology from the extended implications of the COVID-19 Delta variant. That is in part on the epidemiological more aggressive highly transmissible spread. However even more so for any market impact was the potential social and especially economic impact. Those are of course related to the likelihood of any economic restraints being reimposed after the success of the recent reopening.

Even beyond select recently enacted government protocols (New York City, California, etc.), there is the drop in consumer sentiment (as in Friday's Michigan number) that may be related to the return of public reticence regarding the Delta variant transmissibility we have highlighted previous. Yet there is also a specific direct economic impact as it regards the resurgence of COVID-19 in China. It is suspected that this morning's announcement of much lower than expected Chinese Industrial Production and Retail Sales is a COVID-related function.

For more on this see this morning's Reuters article (<https://reut.rs/2XwFDC4> including a brief video clip.) It cites the perspective from one well-informed analyst that due to "...China's 'zero tolerance' approach to Covid, future outbreaks will continue to pose significant risk to the outlook." That is despite 60% of the population being vaccinated, as the Chinese government is in a unique position to enforce stringent lockdowns. This also raises the specter of delayed shipments from Chinese manufacturers to global retailers, and also for parts deliveries to US, European and even Asian manufacturing industries.

There is also the impact on the US labor situation from the current extended outbreak among younger children as the US increasingly heads back to school over the next couple of weeks. As that was reviewed at length on Friday, we refer to the analysis below for more details. That said, ex-FDA head and Pfizer

board member Dr. Scott Gottlieb was interviewed on CNBC (<https://cnb.cx/3g8gns7>) this morning, and what he had to say was disturbing. That was insofar as the US that has invented many of the COVID-19 tests remains well behind many of its peers in testing and tracing. This is especially a problem in identifying even the extent of the COVID-19 infections among children during the rapid Delta variant spread.

He suspects it is very much worse than the current headlines suggest. And as we have noted previous, this is an issue for the return to work of parents of younger children, especially in states where authorities have instituted proscriptions against the local imposition of 'mask mandates'. The good news may be that the locals are going against their state level officials in some cases. The bad news is that the spread of the symptomatic form of the disease to many more younger children than seen with earlier variants is already creating serious disruption.

We always note that any sustained US equities downside reaction in a bull trend must be based on more than one problem. Yet at present there is the dual Delta variant problem of the direct impact on global manufacturing through the combination of individual country constraints, and the overall impact of any export constraints in China due to lockdowns (which the Chinese government has been so effective in enforcing.) Then there are also the current inflation fears.

Intermarket indications between various asset classes are also not supporting a return to the previously weakened 'risk-on' psychology at present. With the US leading the way, the global govies have the bid back. The September T-note future is up into the high end of its 134-00/-16 key congestion after the recent dip below it. The Bund and Gilt are also hanging around just below key areas.

Foreign exchange is a more nuanced picture, yet with the developed currencies in a decisive phase after last week's EUR/USD weekly Head & Shoulders Top fledgling 1.1800 area DOWN Break (<https://bit.ly/3iOKPJy>.) Whether it can push well above that area soon, or ends up slipping below the 1.1700 area March low it defended last week will be a key sign for the overall global 'risk appetite'.

Emerging currencies remain weakish against the US dollar overall despite their recent rebound from previous pressure. And the final indication is a Crude Oil market that continues to see WTI weak below the 70.00-69.00 arena, which is also a sign of lack of confidence in the global economy continuing to reopen.

This all comes around to the often more upbeat US equities in the form of September S&P 500 future slipping back below the 4,450 area that it managed to claw its way above later on last week. That was the high end of the weekly Oscillator levels last week, which has become the low end of the near-term Oscillator thresholds this week (on weekly MA-41 continuing to rise \$25/week.)

As such, an inability to reassert its rally at least back above that level later this week (and also ultimately push above 4,475) would represent a loss of near-term upside momentum. That said, (as noted previous) 'stalling' does not represent a 'reversal' unless lower support is broken. At this point the immediate level to keep in sight is the recent 4,425 congestion it could not stay below last week, with the more prominent congestion back into 4,380-65 area (also weekly MA-9.)

Courtesy Repeat of Monday'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/3AYivej> 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 4,425 and 4,450 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 this week. As such, the Oscillator indications remain important on the still 'lackluster jailbreak' after the previous outstanding US Employment report. With the market dropping back below the lower 4,450 level early this week (on weekly MA-41 up \$25), there seems to be some real risk again, with key lower levels into the recent 4,425 area and the 4,380-65 area.

Thanks for your interest.

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