ROHR ALERT!! The Powell Push

1 message

ROHR Alert <rohralert@gmail.com>
Bcc: ar.rohr.intl@gmail.com Fri, Aug 27, 2021 at 10:56 AM

Dear Subscribers,
Remember the 'Bernanke Put'? That was the inference from the former Fed Chair's communication on his 'portfolio cure channel' (let the well-off help others through confidence in the economy and markets.) This was deemed to mean that he would always step in to prevent any serious US equities market meltdown.

Well, today's speech seems to have seen continued evidence of the 'Powell Push' on acknowledging the US economy has come back a long way, yet the time for any tightening may also still be a ways off. You can review the most salient points in our marked-up version of his opening remarks text (https://bit.ly/3jj9l0q.)

There is also a video courtesy of CNBC (https://bit.ly/3Do9YmM) with a very brief introduction by FRB Kansas City President Esther George. The value of the video beyond seeing Powell's emphasis is that the tables at the end of the speech text are displayed contemporaneously during Powell's presentation. On balance he was more upbeat than previous, yet still held out cautions on the true complexion of the US labor market and especially the international Delta variant woes.

The latter remains the same as discussed in Thursday's 'Asian Conturbation' ALERT!! (repeated below for your ease of access.) There are growing recent signs of more consumer reticence in the 'gathering' economy. Those are the somewhat intertwined travel, hospitality and dining industries, which also impact employment at the lower end of the labor market that still concerns Powell.

Rather than engage in any extended microanalysis of Powell's comments today, we suggest review of the marked-up speech text for the highlights, and especially a view of the relatively concise Powell portion of the video (20:00.) The downside is that this must be viewed for full impact of the graphs, and not just listened to as a de facto podcast. Yet on balance Powell echoed what has been previewed this week by many other Fed minions on its goals having mostly been achieved.

That is outside of the full employment mandate, which will remain a point on which continued accommodation will be based over the short-term. As noted in his speech (near the end of page 10), "*The Committee remains steadfast in our oft-expressed commitment to support the economy for as long as is needed to achieve a full recovery. The changes we made last year to our Statement on Longer-Run Goals and Monetary Policy Strategy are well suited to address today's challenges*." In other words, continued accommodation for now, despite taper planning, to assist the full recovery at the lower end of the US labor market.

Market responses are as might have been expected under those circumstances, with US equities liking what they heard. September S&P 500 future has pushed to yet another new all-time high above the 4,500 level. That maintains momentum on respecting the lower near-term weekly Oscillator threshold rising to 4,490 next week (with the higher up to 4,515.) Yet the more resilient September T-note future has pushed up a bit from recent slippage, even as other global govvies remain at lower levels in the wake of their 'return to reopening' selloffs despite COVID.

Foreign exchange is still mixed, yet with the recent emerging currencies 'country' manifestations still apparent. That is on USD/MXN still not able to fall below its 20.25 area, yet with the previously vexed South African rand now back below both 15.00 and the 14.80 area. Developed currencies remain critical yet not decisive on the EUR/USD recovery up to its recent 1.1800 DOWN Break, yet no better for now.

Courtesy Repeat of Thursday's 'Asian Conturbation' ALERT!!
Much is the same as reviewed in Wednesday's 'Still Friendlier… Will It Last?' ALERT!! (which we suggest a review of along with Tuesday's analysis for anyone who has not done so already.) That is on the cross

currents which allow for some return of a ‘risk-on’ psychology, yet still with serious caveats regarding the global reopening Due to the Delta variant concerns. Of note, while the previously mentioned success of draconian Chinese pandemic suppression measures is encouraging, the balance of Asia still has serious Delta variant problems.

Noting Tuesday’s Reuters article (https://reut.rs/2WruS3e), the problems in many Southeast Asian countries are rife, interrupting any return to a full reopening and disrupting supply chains. That will likely amount to the regional Asian economy underperforming previous upbeat Q3 growth projections. That includes factory activity falling at the fastest pace since June of 2020. This is affecting quite a few major international industries, like automakers and technology companies.

On the services economies, this is also having a damaging effect on the recently recovering ‘gathering’ businesses of travel, hospitality, dining and others. It is clear from San Francisco’s channel 7 ABC affiliate extensive Tuesday article and video (https://abc7ne.ws/38dv2Oj) how those various factors reinforce each other. While the article is quite good, we recommend viewing the video for a full picture.

As already highlighted in recent analysis, the travel and hospitality industries are suffering further close-in airline cancellations and weaker bookings, which now include cancellations of the fledgling hopeful return of business travel. The same is true for hotels. As noted above, the recent reversal of the uptick in business bookings is leaving significant job and overall economic losses in its wake.

Possibly all of this is sinking in after the very upbeat market reaction to the more positive Chinese pandemic suppression news from over the weekend, which was reinforced by the anticipation of booster shots for the previously vaccinated. It is still the case that the global govvies are suffering a bit more (‘risk-on’ indications) under the weight of Fed officials' comments on stubborn inflation this morning.

Yet the US equities are weakening from weekly Oscillator resistance (more below) on the negative Asian news, as the September S&P 500 future traded back below the lower 4,470 near-term threshold after stalling into the higher 4,495 threshold on Wednesday’s new all-time high. Each of those still rises $20 next week (on the back of the still rising weekly MA-41.) Lower support is the low-4,400 area.

Foreign exchange has seen the developed currencies only give back a very slight amount of their recent gains against the US dollar, yet with EUR/USD still not managing to breach the key 1,1800 area recent DOWN Break (more below.) It is also the case that emerging currencies are more so individual ‘country’ affairs at this point, yet are mostly not exhibiting any further strength against the US dollar.

Courtesy Repeat of Wednesday’s critical consideration
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. That is clear on the S&P 500 future weekly chart (https://bit.ly/3sKIoMU updated through Friday.) 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.

And the September S&P 500 future subsequently sustaining activity above the 4,425 and 4,450 weekly Oscillator thresholds was a sign of continued strength as they were still rising $25 per 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 4,450 level early last week (on weekly MA-41 up $25), there seemed to finally be some real risk.

Yet even below the key lower interim levels into the recent 4,425 area congestion and the 4,380-65 area bottom of that, it held key lower support looking forward into this week. That far bigger level was the 4,340 area on both weekly MA-13 (loosely held on all recent sharp reactions) into this week, and the significant aggressive weekly UP Channel from the major 2,174 March 2020 cycle low.

In the event, last week’s late week recovery back above the 4,425 area pointed to the strength of the psychological recovery as well as exceeding the key technical resistance areas. That led to the new all-time highs above last week’s early 4,476.50 trading high (prior to the temporary sharp selloff.) That again leaves the near-term Oscillator thresholds into 4,470 (already exceeded) and 4,495. It is also once again interesting that those are still moving up $20 per week. That means next week they will advance to the 4,490 and 4,515 areas (on the rising MA-41.)

Also of note at this point is that into next week the extended (all-time high from last December) Oscillator thresholds will rise to 4,585 and 4,615. The higher of those is right into the longer-term upside 4.621 'swing count' (see chart) based on the radical selloff extent into the major cyclical March 2020 2,174 trading low.

That seemed an awful long way off when the old February 2020 3,397.50 high was finally convincingly overrun in early November 2020 (on the Pfizer-BioNTech vaccine efficacy announcement), it is much nearer at hand now. This is why the nearer-term Oscillator thresholds will remain important. For as far as the US equities have come, any sustained activity above them will leave the higher thresholds and that major swing count Objective as the only resistances.

Thanks for your interest.

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Contact: rohralert@gmail.com