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ROHR ALERT!! Data Deluge - Round One

1 message

ROHR Alert <rohralert@gmail.com> Tue, Aug 31, 2021 at 11:33 AM
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Dear Subscribers,
The last day of the month is the first day of this week's 'old month into new' major economic data deluge. That is particularly intense this week on September first being a Wednesday. That allows for both rounds of global PMIs being released tomorrow through Friday, also the next US Employment report. For more on the specifics we suggest review of your ROHR Weekly Report & Event Calendar,

The data is coming in with a bit of 'stagflation' (recall the 1970s.) Higher inflation in Europe is capped off today with weaker economic indications, which include the Chicago PMI and US Consumer Confidence. That is an extension of overall economic releases weakening a bit again after a stronger run in July. That may be expected on COVID-19 pandemic pressures returning due to the aggressive Delta variant spread. That means the question now is as we have inquired recently on whether the Delta variant can be tamed? That is into the typically greater Fall infection spread, especially the case now on the US return to school push.

See our previous analyses for the full review of how today's weaker Consumer Confidence number is a reasonable reflection of all the ways the Delta variant pressure is once again showing up in the 'gathering' economy. That includes our extensive review of the deteriorating conditions in travel, hospitality, dining and other businesses that count on patrons' comfort with coming together in groups.

All of that said, the market activity is still consistent with Monday's 'Up Up and Away' ALERT!! observations (repeated below for ease of access.) US equities seemed to have 'slipped their moorings' once again on the September S&P 500 future escaping the 4,520 higher of the near-term Oscillator thresholds.

As noted since last week, that might signal an ability to surge up to the major 4,621 'swing count' indicated on last November's (Pfizer vaccine efficacy announcement) more credible overrunning of the 3,400 area February 2020 old pre-COVID-19 pandemic all-time high… quite a major Objective. It is also up into the higher major Oscillator indications (see below for more detail.) After weeks of the 'burden of proof' on bulls to keep the rally going into Oscillator

thresholds, it has now shifted to the bears to pressure the market back below 4,520.

Along the way the other asset classes are now signaling more of the return to a 'risk-on' psychology. The emerging currencies have led the way up of late against the US dollar, which is a sign of more global confidence despite the weakening of recent 'rearview mirror' economic releases. In the global govvies the September Bund future is being pressured once again today on those higher than expected European inflation, even if the T-note and the Gilt are holding in fairly well.

However, it is also important that developed currencies are finally seeing more progress in their attempt to recover from their mid-month weakness. In that regard, the most telling in its own right and also for the US Dollar Index is the eurocurrency rally finally breaching the EUR/USD 1.1800 area. On sheer 'trend flow' for the past several weeks, this looks very bad for the bears. (See below for the more extensive view on that, along with a fully annotated weekly chart.)

The one last influence on which many are focused right now is the impact of Hurricane Ida. And first of all we offer our support for all of those who have been (or are still about to be) impacted by the worst storm in modern history to hit the US Gulf Coast. Yet as we always caution on these catastrophic events, they may be a human tragedy, yet are almost never any real economic drag. The received wisdom is that Ida will only have a 0.2% negative impact on US GDP this quarter.

What we also know from history (such as Hurricane Katrina roughly 16 years ago to the day prior to Ida) is the rebuilding effort fueled by federal disaster funding is always an economic positive. While it is always hard to look for the boom after such significant carnage, that's the way it works. This means that as soon as the current damage can be assessed and basic services (especially power for various key industries like refining, consumer staples and phones) restored, this will lead to stories of aggressive investment. That will turn into very positive expectations.

Courtesy Repeat of Monday's 'Up Up and Away' ALERT!!
In the first instance, today is the UK Summer Bank Holiday, with the US and Canada to follow with their late Summer holidays next Monday. It is sometimes the case that when one center is closed with other primary global influence centers open, the somewhat thinner market depth (especially in the late summer) can lead an ambush where the holiday makers cannot respond to the activity,

That seems to be occurring today with US equities aggressive upside extension of their already major bull trend. This is not necessarily a surprise after the September S&P 500 future pushed above the higher 4,495 near-term Oscillator threshold late last week. This is also not really a surprise after Fed chair

Powell's Friday Jackson Hole speech, which was both upbeat and accommodative.

This is as we observed in Friday's 'The Powell Push' ALERT!! (repeated below for your ease of access) on him pushing a view that was supportive of a greater 'risk appetite' than was apparent in some recent global market activity. To wit, (Powell was) "...*acknowledging the US economy has come back a long way, yet the time for any tightening may also still be a ways off*" (with links to his speech text and video in Friday's ALERT!!) As we had been noting of late in the technical trend comments, an Oscillator threshold escape could see a more aggressive rally.

This is because it is still most interesting that those are still moving up $20 per week on the rising MA-41, which is now back to more so rising $25 per week based on the recent renewed strength. That means this week they are up to the 4,495 and 4,520 areas. Of note, despite the resilience of the recent US equities bull trend through serial short-term reactions, the September S&P 500 future had been respecting those rising higher rally extension parameters for weeks.

However, if the US equities are now 'slipping their moorings' once again, then the fully extended all-time record Oscillator thresholds (from last December) are up to the 4,590 and 4,620 levels. As noted in the US equities Evolutionary Trend View (ETV) over the past several days, that opens the door to that seemingly far flung idea of hitting the major 'swing count' (see comments and chart below) Objective at 4,621, as that is now also in line with the extended Oscillator thresholds.

And yet, the other major asset classes seem to only be partially on board for this expression of increased 'risk appetite'. That leaves the US equities back into what is a 'bifurcated' bull trend despite its major surge. Global govvies have still not come under too terribly much pressure, as even those outside the September T-note future (holding around the low end of the 134-00/-16 range) have weakened from key resistances. Yet so far they are not threatening their key lower supports.

Foreign exchange is seeing developed currencies stuck at a key inflection point, as EUR/USD has failed so far to push back above its critical 1.1800 area weekly Head & Shoulders Top DOWN break (https://bit.ly/3gJ1c98.) That said, holding up as well as it has creates doubt about any sort of 'haven' bid in the US dollar. It is more so the case that 'risk appetite' has returned to the emerging currencies, supporting the more upbeat global psychology emanating from the US equities.

This is the 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/3BgiyIl 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 after what was the 'lackluster jailbreak' after the previous outstanding US Employment report. With the market dropping back below the 4,450 level two weeks ago (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 also held key lower support two weeks ago looking forward into last week. That bigger level was 4,340 on both weekly MA-13 (loosely held on all sharp reactions) into last week, and the significant aggressive weekly UP Channel from the major 2,174 March 2020 cycle low.

In the event, the recent 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 last week above the previous week 's 4,476.50 trading high (prior to the temporary selloff.) That again left the near-term Oscillator thresholds into 4,495 and 4,520 areas (on the rising MA-41.)

Also of note at this point is that into this week the extended (all-time high from last December) Oscillator thresholds will rise to 4,590 and 4,620. 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 remain important this week. 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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