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**ROHR ALERT!! Burden Shifts to the Bulls**

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**Dear Subscribers,**

**As we have noted across successive recent analyses, the dynamic now is the highly anticipated weakening of (rearview mirror) economic data, yet with that also allowing for more of a continuation of central bank accommodation than the more upbeat observers had expected. This is likely to continue for now, as all of the recent major central bank communication notes those influences. It was also the important thrust of Wednesday's Fed Beige Book (<https://bit.ly/3E89m4U>.)**

**We did not include the discussion of that in Thursday's 'ECB Tapers... Sort Of' ALERT!! due to there being much to discuss from the ECB nominal quasi-taper in its PEPP program, and how that was addressed (more so a 'recalibration') in the typical post-rate decision press conference. Yet the Beige Book reinforced all of the previous central bank communication and inferences from recently weaker data (especially last Friday's very much below estimate US Nonfarm Payrolls.)**

**The overall thrust is that while inflation remains stronger than anticipated, it is due to reopening bottlenecks and raw goods shortages which are expected to clear up into 2022. On the other hand, many services businesses (especially the 'gathering' economy... see below) are still suffering from recently reduced sales due to the COVID-19 Delta variant 'consume reticence'. This is explicitly noted in the first part of the Beige Book national summary regarding "...a *pullback in dining out, travel, and tourism in most Districts...*" as we have extensively noted.**

**As such, much remains the same as previously explored, and we suggest a review of Thursday's and Wednesday's ALERT!!s (repeated below for your ease of access) for a review of those broad-based factors, if you have not done so already. The one factor highlighted Thursday which was not part of our previous assessment of US equities is September S&P 500 future interim daily chart 4,492 congestion, which held during the weakness of the past couple of sessions.**

**That is important as the last support this side of the more obvious weekly chart 4,462 area congestion. There is also an issue of some incipient US equities weakness into next week now that the September S&P 500 future may finish this**

week below the 4,515 lower of the near-term Oscillator thresholds. Even with the recent loss of upside momentum, weekly MA-41 will still rise \$20 into next week, putting the Oscillator up to 4,535 next week. That shifts the 'burden of proof' to reinstate the more aggressive bull trend prior to the market failing 4,492.

While more so a response to today's still hot German and US inflation numbers, global govies are back under a bit of pressure after Thursday's short-term rally. Foreign exchange remains more of a 'risk-on' indication despite the relative stagnancy of the developed currencies, as their recent activity appears to be a reaction from previous 'risk-on' indications like US Dollar Index weakening below 92.70, and EUR/USD holding into its Negated 1.1800 DOWN Break (more below.)

**Courtesy Repeat of Thursday's 'ECB Tapers... Sort Of' ALERT!!**

As we have noted since the beginning of this important renewed central bank influence week on the return from Summer holidays, the culmination would be today's ECB announcements and press conference (<https://bit.ly/3tu3aj6>.) In the event, that was definitely the case on the decision to 'adjust' its PEPP (Pandemic Emergency Purchase Program.) The message came through in its Monetary Policy Statement (<https://bit.ly/3BWAHW8>), always delivered at the very beginning of the press conference. That is versus the RBA Tuesday and BoC on Wednesday maintaining not only their rates, yet also their full QE programs for now.

Yet whatever anyone else might believe about the ECB's PEPP move, Madame Lagarde was pointed in her response to a reporter's question that the lower PEPP level compared to the previous quarters was more so a 'recalibration' than any sort of 'taper'. The key to that characterization was her assertion that the PEPP was always designed to provide "*favorable financing conditions*", and it was determined that this would still be accomplished at the lower PEPP levels.

Of course, this also plays right into a later Q&A inquiry on whether the ECB would be affected at all by any US Federal Reserve decision on its QE program? The obvious answer that would have been the case for any credible central bank head was (also of course), "*No*" ...at least insofar as she shared the fact that the matter was not even discussed at all at today's Governing Council meeting.

It is likely the case that the modest adjustment of one of its programs does not really amount to the ECB 'tightening', much as even the currently feared FOMC QE 'taper' would not actually be classical tightening. As a client noted in conversation yesterday, each of those is more so any individual central bank being a bit less accommodative rather than truly restrictive on monetary policy.

As Lagarde noted in her extended discussion, the future path of the recently buoyant Euro-zone economy remains dependent on two factors. How bad do the inflation-creating reopening bottlenecks remain across time, and does any

**resolution of that matter actually lead to the hoped for lower inflation in 2022? Beyond that is the serious recent resurgence of the COVID-19 pandemic in its own right based on the far more highly transmissible Delta variant.**

**This is of course not news. Yet it is an important part of how the ECB along with the other central banks (most notably the Fed) can justify maintaining such a major level of accommodation, despite what had been a very upbeat economic recovery into the second quarter. The real-time signs are reinforcing that still high level of central bank largesse despite the previous strong 'rearview' mirror data.**

**The renewed problems are now being projected out into this quarter and the later part of this year. This is for the most part not based on government quarantines or restrictions. It is the public reverting to more cautionary activity seen during the more troubling parts of the pandemic earlier this year: 'consumer reticence'. That is seen throughout the dining and hospitality industries at present, and most glaringly in travel, as backed up by the latest missives from the US airlines.**

**The announcement today that United Airlines is expecting a Q3 loss versus the previous expectation it might return to profits this quarter is indicative of the renewed dilemma for all of the 'gathering' industries. This was the subject of a brief report by CNBC travel expert Phil Lebeau (<https://cnb.cx/3hjtgQG>), which notes the UA announcement includes projection of a Q4 loss that is down from a current 23 cents a share profit projection... all based on the COVID-19 problems.**

**However, despite all of that, the market response to the ECB quasi-taper today has been to continue the return to the 'risk-on' psychology. That makes this week's swing back from the previous psychology look more like a reaction than a trend reversal, as discussed in Wednesday's 'Reaction or Reversal?' ALERT!! However much the US equities looked ugly on Wednesday's more substantial near-term selloff, they held the 4,492 late August rally interim congestion level.**

**That was tested again overnight, and held with only minor additional slippage, and was pushing up above the 4,500 area right into the ECB quasi 'taper'. It is now also clawing its way back above the 4,520 lower of the near-term weekly Oscillator thresholds after such a sharp drop below it on Wednesday. It will be interesting to see whether it can also surmount the 4,545 higher threshold.**

**This all speaks of a continued upbeat psychology, which is reflected in foreign exchange along the same lines as Wednesday's 'Reaction or Reversal?' ALERT!! (repeated below for your ease of access.) While more will need to be confirmed after Friday German CPI and US PPI impact inflation expectations, the fact that the US Dollar Index has so far only retested its failed 92.70 major**

**weekly down channel UP Break in the rally is a sign that is only a reaction in a weak trend.**

**The same can be said for the highly correlated (yet on a completely different technical basis) EUR/USD holding very near its 1.1800 Negated weekly Head & Shoulders Top DOWN Break (much more on all of that below.) And the emerging currencies continued strength against the US dollar also reflects the resilience of the 'risk-on' psychology despite the Delta variant fears and correlated weakening of the recent economic data releases. It still feels like a 'longer view' is holding.**

**Courtesy Repeat of Wednesday's 'Reaction or Reversal?' ALERT!!**

**As noted in Tuesday's 'Slow Roll Risk-On' ALERT!! (we suggest a read if not done already), "*Markets have backed off a bit from the 'risk-on' psychology strength prevalent into the end of last week...*" As that has carried a bit further today, the question becomes whether this a reaction, or a more important trend reversal?**

**There are quite a few reasons to suspect it might be a reversal based on the still weakening 'rearview mirror' economic releases. That tendency has continued into this morning except for slightly better than expected Japanese GDP. It is also the case that outside of Monday's German Factory Orders and Tuesday's Chinese Trade numbers, the data has been roundly disappointing over the last two weeks.**

**So why wouldn't the markets be ready to anticipate more 'risk-off' than 'risk-on' where the recent, and presumed future, predations of the COVID-19 Delta variant seem to be at work? Well, for one thing, the shock of the Delta variant ripping through the US South and Southeast is finally making a difference in the relative anti-vaccination sentiment in those areas. Vaccination rates are quite improved.**

**However, as discussed previous, those near-term increased vaccination rates are not going to solve the problem insofar as they take up to a couple of months to achieve full protection. There is also the US problem of mask wearing having been highly politicized, with a major anti-masking faction refusing to cooperate in what many medical professionals consider a major public health necessity.**

**On the other hand (as also recently explored at length), the weaker economic data is supporting the 'doves' at the main central banks. They insist the extended economic drag from the Delta variant's impact requires continued QE. It is the case that yesterday the Reserve Bank of Australia confirmed this (see below), and just this morning the Bank of Canada also maintained its accommodative stance after holding its base rate steady at 0.25%. In fact, its accompanying statement (<https://bit.ly/3zPYmGZ>) notes "*...low-wage workers – are still disproportionately affected*" by Delta damage (much like Powell), and**

**projections suggest that its 2.0% inflation target will not likely be achieved until “...the second half of 2022.”**

**And then there will be the Fed’s Beige Book this afternoon to illuminate us on its thinking on the way into its major September 21-22 meeting (i.e. including all of the staff and member projection updates.) While this can change based on the additional interim economic indications, it is likely if the near-term ‘macro’ data releases remain weak, it will support the doves in their support for continued QE.**

**We can also only imagine that the ECB will maintain the near-term QE program support regardless of any talk of the need to ‘taper’ its efforts ‘at some point’. While there have been some adjustments to the various ECB programs over the past several months, these have all tended to support even more extended QE.**

**This then all gets back to what markets are saying about a potential sustained reversal of the ‘risk-on’ psychology, as after all they get the final word. The US equities have seen the September S&P 500 future early week test of the 4,545 higher of the two near-term weekly Oscillator thresholds fail. Yet at least so far on the selloff the market has held not too far below the 4,520 lower threshold. It has been the case for weeks the stallouts into the higher threshold have seen selloffs, yet without ability of the bears to sustain weakness below the lower threshold.**

**That is also going to make for an interesting indication through the course of the central bank influences, and return to international inflation readings. That is for China on Thursday, with German CPI and US PPI on Friday. Those are going to be interesting for the global govies that have been under more pressure again of late (in another nominal indication of the ‘risk-on’ psychology impacting them.)**

**That is going to be especially of note for the December Bund future, which just took over as front month Bund future on the expiration of the September contract at 12:30 CET today. The major 3.00 December contract discount is a sign of inflation anticipation, and leaves it not just below the 175.50-.00, but also below the 173.00-172.50 next significant support. That could point toward a test of the next major support in the 170.00-169.50 unless there is a recovery back above the 173.00-172.50 area (see the weekly chart for more <https://bit.ly/3BOoqCO>.)**

**While Germany is also facing a bit of a political shift, informed sources tell us that this is not as yet part of any fears for German interest rates. However, even if the weak Bund activity (recently the downside leader) is only on inflation fears, it speaks volumes on the degree to which inflation anticipation is now ingrained.**



This takes us over to foreign exchange, where the weakness of the US Dollar Index over the past couple of weeks from its previous sustained strength has also supported the 'risk-on' psychology. That is insofar as it is a sign of no 'haven' bid in the greenback on fears elsewhere. That said, there might also be a bit of aversion toward the US dollar due to the country being so much more plagued by the Delta variant than previous, and compared to its European peers.

Yet at least so far, strengthening of the US Dollar Index this week only amounts to a reaction back up to a key failure level. That is the mid-August 92.70 major down channel UP Break (see the weekly chart <https://bit.ly/3tly0KH> for a view of that.) While the weakness back below that level last week was relatively nominal, it does shift the burden of proof back onto the bulls to reassert the up trend.

The mirror image trend on the EUR/USD weakening is that much more telling insofar as its squeeze above the key resistance is on a totally different technical pattern; even if concurrent with US Dollar Index activity. That is the inability of the EUR/USD bears to maintain the early August 1.1800 weekly Head & Shoulders Top DOWN Break (<https://bit.ly/3hac0xj>) despite a month of churning below it.

Of particular note, this also has EUR/USD back above weekly MA-9 and MA-13 in that same 1.1800 area. This intensifies the importance of that 'burden of proof' on bears attempting to reinstitute the 'risk-off' psychology that was still in place in foreign exchange (despite sustained US equities strength) until two weeks ago.

And it is much the same for emerging currencies, which were under even more pressure until two weeks ago prior to their current 'risk-on' resurgence. This is especially the case for the South African rand, which had seen USD/ZAR rally up through the mid-15.00 area. Yet since then it has dropped back below 15.00-.10, 14.80-.70 and even 14.40-.50 area to test the 14.20 next key congestion this week. While holding that, only back above 14.40-.50 would indicate any 'reversal'.

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/3DW6W9M> 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 recent new all-time highs 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 this week (on the rising MA-41), rising to 4,545 and 4,570 next week... hence the importance of 4,545 now, especially after it was the rough trading high last week and again early this week.**

**Also of note at this point is that this week the extended (all-time high from last December) Oscillator thresholds will rise to 4,615 and 4,645. Those will then be 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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