
ROHR ALERT!! Risk Shift

1 message

ROHR Alert <rohralert@gmail.com>
Bcc: ar.rohr.intl@gmail.com

Mon, Sep 13, 2021 at 11:58 AM

Dear Subscribers,

It is of note that on an otherwise very light reporting day both the Japanese and German PPI were a bit lower than expected. That is in line with the central bank positions on how they can still provide significant levels of accommodation despite current elevated inflation levels. And the central banks are in unison on the need for that in the face of still strong COVID-19 Delta variant headwinds.

While Western central banks were the focus last week, especially the ECB's 'twist' on its PEPP (see below), it was less well reported that China's PBC had extended more liquidity for MSMEs (micro, small and medium-sized enterprises.) In its statement (<https://bit.ly/2Xbhtxg>) it notes that "...as a special monetary tool designed by the PBC to support financial institutions to issue MSB (micro and small business) loans, has yielded positive results." Of course, this is quite a bit like the ECB's TLTROs and various Fed programs from during the pandemic.

The interesting part is China is extending that as the pandemic is supposed to be winding down. Yet based on the recent impact of the Delta variant on China which led to renewed restrictions, that is not really the case. In one of his regular 'Road Back Barometer' segments (<https://cnb.cx/3tDOIKL>) CNBC's Steve Liesman highlighted the problems created by the Delta variant spread in US schools.

This is the downside of some US state governors banning mask mandates, and substantially in the under-vaccinated South and Southeast (although a bit in the Northeast now as well) schools are needing to close due to the sharp rise in children testing positive. As Liesman pointedly noted 1,700 schools are closed for an average of 8 days, and that is up 21% in the past week (see the associated graphic <https://bit.ly/399NJ5X> that does not indicate the closures had been up 100% the previous week.) This is also not just an education problem.

As we have highlighted previous, when younger children are not back in school, at least one parent is not available to work outside the home. This has been at least part of current labor shortages. With enhanced unemployment benefits ending this month, it will also represent additional pressure on those families, even if sporadically during limited-time school closures. This is not good for the future path of consumer spending where Delta has already created headwinds.

Possibly this is all part of central bank rationale pending further economic and inflation data, where we are going to see quite a bit of the latter this week. And it importantly includes Tuesday's US CPI to kick off that influence. It is especially important that it is projected to moderate just a bit, and how that turns out may be a key market influence. While the markets have given central banks quite a bit of slack on their continued heavy accommodation, there will need to be some sign that inflation is at least topping out fairly soon to avoid market consequences.

In another CNBC report this morning (<https://cnb.cx/2YH7m3p>), the CEO of 3M commented on this key industrial and consumer products provider seeing three kinds of inflation at present: "*raw material, labor and logistics*", and that the inflation trends look likely to continue. In our view (along with other seasoned observers), the most pernicious is labor cost inflation due to its potential to raise inflation expectations. That has historically been the source of ingrained inflation that has the further potential to turn into the 'stagflation' last seen in the 1970s.

This might be a good reason why US equities might be under more pressure at present than seen since mid-August. However, much as at that time, there are lower supports after the September S&P 500 future failed to maintain its upward momentum by Closing last week below the 4,545 weekly

Oscillator threshold. While it also violated the next interim support at 4,462 late last week, it is above that this morning... which will be interesting later this week. That said, even if that goes by the wayside, the more important lower near-term trend support is into the low 4,400 area (including weekly MA-13) with a Tolerance to the upper 4,300s.

This is consistent with support that held on the temporary sharp US equities reactions over the past four months. The difference from the past several weeks is a slightly diminished 'risk-on' psychology in other asset classes. Whether this is the beginning of a more extensive retracement or just a near-term aberration will likely become clear later this week after the key economic data releases.

For right now the key areas to watch are the US Dollar Index limited push back above its 92.70 failed weekly chart major channel UP Bream (see the annotated weekly chart <https://bit.ly/3k27UJr> updated through Friday.) The Evolutionary Trend View (ETV) corollary to this is EUR/USD weakening a bit below its Negated weekly Head & Shoulders Top 1.1800 area DOWN Break (<https://bit.ly/2Xg4IAR>.) It will be important whether those are just vigorous retests or something more.

Courtesy Repeat of Friday's 'Burden Shifts to the Bulls' ALERT!!

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/3hjtqQG>), 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 Previous critical consideration

[To be updated after Tuesday's more critical economic data]

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/3C50knt> 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.

NOTICE: The Rohr International, Inc. research team or its principals may already have entered positions or have orders working based on this view.

This Current ROHR TREND ALERT!! will be available soon via the sidebar at www.rohr-blog.com for Gold and Platinum echelon subscribers.

Please reply 'Unsubscribe' if you no longer wish to receive these emails.

Contact: rohralert@gmail.com

This review of market positions and all other information is strictly for educational purposes. This information is provided without consideration of portfolio requirements, suitability for financial risk, or psychological state of any recipient. Any use of this information to implement actual trades or investments is the sole responsibility of the individual or entity authorizing that decision. This waives your right to any claim of explicit or incidental liability for financial loss or forgone profit against Rohr International, Inc. and any informational contributors under all circumstances. Information contained herein may have already been disseminated to others who may have acted upon it. Implicit in the Rohr educational services is the understanding that principals or employees of Rohr may have already taken positions. By review of the Rohr Alerts and/or Rohr Views and all attendant information you confirm receipt of them as educational content, as well as agreement with all of the stipulations articulated above.

A service of Rohr International, Inc.

© 2021 All international rights reserved. Redistribution strictly prohibited without written consent