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ROHR ALERT!! Technical Issues

1 message

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Dear Subscribers,

We apologize for the issue with our ISP that is delaying our macro analysis and Evolutionary Trend View (ETV) update this morning. That includes the inability to update the weekly charts. The latter is quite important right now, especially in the US equities after the front month S&P 500 future has pushed to a new all-time high after exceeding the early September highs. However, that has only reached the next major upside Objective, as reviewed in the analysis below.

In the meantime, we can share the basic thought that the market tendencies in general are still consistent with the views in Friday's 'Indications Bifurcation' ALERT!!, especially as it regards 'rearview mirror' macro data and the global challenges of the still resilient COVID-19 pandemic spread despite the likely US approval of a school-age children's vaccine sometime very soon.

Our ISP has signaled that the problem should be cleared up by this afternoon, and we look forward to providing our updated research and the fully annotated weekly continuation charts on Tuesday morning. Thanks for your patience.

Courtesy Repeat of Friday's 'Indications Bifurcation' ALERT!!

In Thursday's 'Post-WHAT?' ALERT!! (repeated below for your ease of access) we once again revisited the asset class trend bifurcation, with US equities strength versus less of a 'risk-in' psychology elsewhere. Yet based on the key economic and inflation indications in today's 'rearview mirror' data release tsunami, there are now more prominent divergent trends within asset classes as well.

The most prominent of these is the global govies split between the US T-note and the German Bund. The greater resilience of the T-note (and to some degree the UK Gilt as well) versus the Bund is apparent in the December T-note future only slipping back part of the way to its 130-00 recently tested support. That is while the December Bund future is already back down into its also recently tested major 168.00-167.50 range after this week's rally back into the 169.50-170.00 support that failed three weeks ago. This is a serious inflation concern signal.

The problem for the Bund (which has been the downside leader at various points since the Spring) gets back to something Madame Lagarde said at Thursday's ECB press conference. In response to a question over whether the Euro-zone might have entered a 'stagflation' phase, she responded that this was not possible at present. That is because in the first instance there would need to be 'stagnation', which is definitely not the case in a still strong Euro-zone economy.

That seems to have been borne out by stronger than expected overall Euro-zone and individual country Q3 GDP numbers this morning, even if (as in the US) they were much weaker than Q2 indications. Yet today's inflation numbers continued to also reinforce what

she said on inflation being worse and lasting longer than had previously been hoped. While she (along with most other central bankers) still projects it coming back down to less extreme levels, her view on that is this will happen during 2022... with no indication that this would be early in the year.

There are also the supply chain issues which Lagarde noted are going to take some time to address, possibly well into next year. Those came home to roost this morning with a real impact on a key corporate earnings report (where they have generally been supportive): Apple. CEO Tim Cook explained that sales had missed expectations while supply chain issues had cost the company \$6 billion.

See this morning's CNBC article (<https://cnb.cx/2Zy096e>) for more on the overall situation, where chip shortages are still a key issue that is not likely to be cured anytime soon. In another CNBC report it was acknowledged that many companies were seeing higher sales, yet lagging profits. The question in a world with higher production costs is just how long can they continue to raise consumer prices?

As to the overall bifurcation of the 'risk-on' psychology, the US equities strength versus less upbeat indications elsewhere remains. While the December S&P 500 future remains nominally out above the early September 4,549.50 front month S&P 500 future all-time high, that has become a churn since Tuesday's rally to a new 4,590 all-time high. That said, sustained activity no worse than the 4,549.50 September high speaks of a continued bull trend and 'risk-on' psychology.

On the other hand, foreign exchange that had reversed any US dollar 'haven' bid of late is back to weakness on non-US dollar currencies. Developed currencies are a bit more subdued, yet with the recent US Dollar Index slippage below its 93.70 support being reversed today with a rally back into that area. And the always more volatile and sensitive emerging currencies losing more ground to the greenback after their rally (significant in some cases) prior to the later part of last week. The only exception is the energy-advantaged Russian ruble.

It all speaks of continued risk factors that US equities seem able to ignore. That is possibly on the previously discussed TINA (There Is No Alternative) psychology in a world awash with central bank liquidity. Yet there are other risks as well.

As noted extensively in the repeated research below, there is the continued risk of a COVID-19 pandemic resurgence, even if recently the term 'post-pandemic' has become a media cliché. Given the approach of the much more challenging Winter phase in the Northern Hemisphere, this assumption is possibly misguided.

That is not just on the seasonal factor, as was the case in Australia's recent very bad Winter experience. That saw a significant two-month surge in new cases to a record high of 2,744 per day by early this month, falling to 1,800(+/-) at present. That is as opposed to April and August 2020 peaks of 400 and 600 respectively. While much lower than many other countries (especially the US and parts of Europe), this tendency still represents a problem. And as noted previous, there is likely too much hope being placed on the US approval of children's vaccines.

There is also the steady drip-drip-drip of the Chinese property developer's issues, which go beyond the sheer Brobdingnagian size of the offshore debt. There are 1.6 million apartments for which Evergrande has taken deposits, and one must wonder where it is going to get the funds to actually build them. There is also the degree to which other

sizable Chinese developers have recently missed offshore loan interest payments. While there is a strong interest from the state in avoiding a disorderly situation, there is a real question over what it can do. Does it even have latitude to intervene with the new 'people oriented' policies? While a slowly evolving situation, it will become more pointed late this year into early 2022.

Courtesy Repeat of Thursday's 'Post-WHAT?' ALERT!!

Today's title refers to the degree to which Madame Lagarde's ECB post-rate decision press conference was really just more of the same from another central bank that is using the near term COVID-19 pandemic dislocations to maintain an overall accommodative stance. While the Bank of Canada announced the end of its outright QE purchases on Wednesday (<https://bit.ly/3EoMf5t> for its press release on the policy shift), it will maintain reinvestment of bond proceeds.

The ECB press conference (<https://bit.ly/3nvJskg> skip the first 11:00 opening) was unremarkable in observations on inflation and the supply chain issues remaining well into 2022, yet continued confidence they will abate after that. This is of course very similar to the Fed maintaining its accommodative stance due to the near-term economic drags despite stubborn inflation looking more pernicious.

What Madame Lagarde had to say about the supply chain bottlenecks relief was very enlightened. As opposed to what some US politicians are saying about any early resolution of that problem, she holds that a goodly part of the solution is the additional shipping tonnage that is being created at present by major cargo ship manufacturers, which of course takes many months. As opposed to the Biden administration promises, this means the issue will remain for many months.

Also note that the provision of more cargo transportation will not resolve the US West Coast port congestion problem... it might actually worsen it. She also noted the energy component of inflation is a multifaceted issue revolving around low inventories, lack of wind power in Europe (aggressive environmentalists should be duly chastened), strong Chinese demand, and Russian control of critical natural gas supplies for Europe. Based on that, this will also last quite a while.

So it was not much of a 'post' rate decision discussion, as it was more so a continuation of the same stance where decisions were not taken. For more on the overall context, see Lagarde's typical opening Monetary Policy Statement (<https://bit.ly/3GtjOoR>) with an outline of each key area, and the earlier 'decisions' release (<https://bit.ly/3mmBRVO>) highlighting the steady nature of its QE efforts.

This is more of a lack of real news, with PEPP to continue through at least March 2022, and the latitude to extend any of its QE efforts if financial and economic conditions should warrant. Yet the ECB is also confident that the wage increases which are also part of the current inflation (as is the case elsewhere as well) will not continue to become 'second round effects'. That is the ECB's pet term for the rightfully dreaded 'wage-price' inflation feared by all central bankers.

The other "Post-WHAT?" issue that is prominent once again is the still stubborn spread of the COVID-19 pandemic, even if on a more subdued path. This is as we explored in Wednesday's 'Funny Old Risk-On Psychology' ALERT!! (repeated below for your ease of access along with some other research.) We are quite concerned about the upbeat expectations for a 'post-pandemic' world, which has been a ubiquitous phrase in recent general and financial news coverage.

Certainly there should be some cheer on the very likely US approval of the Pfizer-BioNTech and Moderna vaccines for children (ages 5-11.) Yet for all of the reasons discussed Wednesday, this is not likely to be a panacea either for the return to normal education or relief for all of the workforce constraints that the overall vulnerability of children and their families has fomented. Much as with the adults, it's more so a matter of actual shots in arms (full discussion below.)

There are also the issues of the overall path of the pandemic in even highly vaccinated countries, and whether that will accomplish the full return to normal (or a 'new-normal') global economy. Added to that are the major Chinese property developer concerns (also more below.) Even if that may be more so a Chinese economic problem if it worsens into late this year, the second largest economy in the world weakening further cannot be considered a good thing for the rest of us.

The markets are reflecting this in the strength of US equities not being matched by activity in other asset classes. While the US Dollar Index is finally weakening below the 93.70 area just this morning, the other developed currencies are still up against higher resistances. While emerging currencies are getting a bit of a bid this morning, they have been under pressure during the recent bifurcated 'risk-on' psychology shift (i.e. even though US equities set a new all-time high.)

And the recent sharp recovery of global govies from important lower supports (more on that below as well) is another sign that the strong growth which the 'post-pandemic' psychology envisions may be less than assured. While global govies are under some pressure today despite a much weaker than expected US Q3 GDP first look, they have seemed to defuse any surge to higher interest rates on a failure below the recently tested lower support prior to the recent recovery.

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/3pAKE8A> updated through Friday.) It is of note September S&P 500 future had managed to retest that area right into the ECB press conference prior to weakening 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 remained important after what was the 'lackluster jailbreak' after the previous outstanding US Employment report. With the market dropping back below the 4,450 level (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 4,380-65 area bottom of that, it also held key lower support in mid-August looking forward into the following week. That bigger level was 4,340 on weekly MA-13 (loosely held on all sharp reactions) at that time, 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

4,515 and 4,540 areas (on the rising MA-41), which it failed to maintain in early September, fomenting the reaction.

This led to the violation of the 4,492 interim daily chart congestion after trading around it previous, with the more prominent 4.462 area also being violated three weeks ago. And while it subsequently traded back above that as well, recent softening below it spoke of an ability to trend lower in the near term. That left the more major 4,420-10 area as next support on both weekly MA-13 as well as that significant aggressive weekly UP Channel from the major March 2020 low.

Having tested that area into the mid-September Close and violating it from the beginning of the following week was a fresh 4,410 DOWN Break. That fed further weakness which was already anticipated from the negative influence flowing out of China. As usual there is a Tolerance below that (as seen on selloffs in both June and July) down to the 4,350 area lower congestion developed during the temporary July topping activity, and retested on the mid-August sharp temporary reaction to a 4,347.75 trading low. While that may seem to be a broad berth, on past form only below the 4,350 area does the market signal a full trend reversal.

Yet as always with these matters, the weekly Close was more important than temporary trading weakness below it. And the December S&P 500 future held overall against interim low-4,300 support, and ended the week back above the low 4,400 area. The extent of the temporary selloff means that it needed to be treated as a 4,410 weekly up channel DOWN Break. Yet that also means the Close back above it established it as a Negated DOWN Break, and therefore a support area. That is also consistent with weekly MA-13 moving up to the 4,430 area this week.

That said, the 4,348 area had reverted to the key support again of late on renewed pressure. And much like previous, it was temporarily violated early last week. The difference is that the daily 'trend flow' is a bit different, with last week's rally back above the low-4,400 area. Holding above the 4,430 area Tolerance of the 4,400-10 resistance for a weekly Close also above weekly MA-9 and MA-13 in the 4,435-45 area looks more bullish again. It indicates a 'risk-on' sentiment once again.

The next higher resistance was at the 4,472 late September trading high from which it previously dropped to the 4,300 area. That being exceeded on last week Monday's Close was a further strong sign, which has not surprisingly led to the December S&P 500 future also pushing above the next minor early-September congestion in the 4,510 area. That only left the early September 4,549.50 front month S&P 500 future all-time high as resistance. Now that it has been exceeded, the 4,621 major 'swing count' is the next key threshold, with the next key weekly Oscillator thresholds up into the 4,645-600 area this week (rising \$30 per week.)

Thanks for your interest.

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