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ROHR ALERT!! Synergistic Breakthroughs

1 message

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Dear Subscribers,

After a couple of months of ostensibly sluggish US jobs growth, today's US Employment report addition of 531,000 jobs was not unexpected. Yet at 81,000 more than estimated, it was a breakthrough nonetheless as compared to the previous two months. It is also the case that the previously weak September Nonfarm Payrolls (NFP) were revised up 118,000, from 194,000 to 312,000, which is a much more encouraging number overall in what had been a weaker quarter.

For quite a bit more of the detail we refer you to a very good CNBC article (<https://cnb.cx/3bL1RE8>) that drills down into the various key sector jobs gains. That the Leisure and Hospitality sector was a leading jobs gainer at 154,000 was very impressive on the continued reopening. Yet related to that in a major way is that all of it would possibly not have been quite as impressive in its own right, if it were not for the next COVID-19 pandemic self-administered therapeutic news.

While quite a bit of today's further US equities gain after the positive response to the Fed Wednesday and BoE Thursday has been attributed to the US Employment report, well ahead of its release the December S&P 500 future traded up \$15 to the 4,687 area by 07:00 EDT. In that regard it is of note that prior to today's opening Pfizer CEO Albert Bourla was on the major networks with the announcement that his company's trial of its COVID-19 self-administered therapeutic pill ended early.

That was due to the trial showing 89% efficacy in preventing damaging COVID-19 effects in those who took the pills within three days of diagnosis. As regular readers know, we had still been a bit skeptical of the Merck therapeutic pill only having an efficacy of 50%. This makes the Pfizer pill a bona fide 'game changer'.

It was a precursor-afterburner for the stronger than expected US Employment report, as it points to the degree to which COVID-19 gathering economy (dining, hospitality, travel, etc.) hesitancy can now be fully addressed into likely no later than early 2022. The US equities psychological impact is similar to the original Pfizer-BioNTech vaccine efficacy announcement almost exactly one year ago.

Back at that time the front month S&P 500 future had been churning around the old 3,397.50 February 2020 all-time high after falling back from a new 3,587 high in early September. Spending the next two months stuck in the 3,200-3,500 range might have raised some concerns over the trend. Yet the Pfizer-BioNTech vaccine announcement saw it surge up to a new 3,668 all-time high. In that case vaccine news was a game changer from which the US equities never looked back.

While today's announcement is at a much higher level, at least in the near-term it is likely to drive a further 'risk-on' psychology for US equities during an already advantageous seasonal phase. That will be on stronger expectations for the US economy if COVID-19

hesitancy recedes further. As previous FDA head Dr. Scott Gottlieb said in another CNBC interview (<https://cnb.cx/3wkb7sf>) this morning, this means that the end of the COVID-19 pandemic is 'in sight'. While Gottlieb has previously been hopeful at times, that represents a more definitive statement. However much bad phases might remain, the overall situation is constructive.

As an aside, it is going to be interesting to see this play out in the US, where the Biden administration vaccine mandate for federal contractors (which is a very wide net) is meeting with significant blowback. Many other organizations and governments have followed the federal lead, with similar resistance. Quite a few first responders (like New York City firefighters and police) are refusing to get vaccinated, as have many hospital workers. Just to be clear, the vaccine is the more effective prevention against COVID-19 hospitalization or death.

However, if as it appears there will be an effective self-administered therapeutic that can prevent the more serious impact of the disease, will the US federal and local governments and companies stand down their vaccination requirement? This is problematic only due to major companies and governmental agencies being resistant to reversing their positions on critical issues. On the other hand, the vaccine mandates are driving some of the labor shortages in key areas.

As such, the availability of the easily administered, readily available therapeutic would address the tediously hard task of squaring that circle. While it will still leave a partisan divide on whether the anti-vaxxers were right to resist, practical implications for the global jobs markets and economies will be very positive.

That gets to the issue of what to look for next on the US equities that have seen the front month S&P 500 future blow out the major upside 'swing count' 4,621 Objective after stalling into it early this week? In fact, the next weekly Oscillator thresholds set up on the rally into August-November 2020 are the 4,680 and 4,705 levels into next week... with the market already straining against the higher level.

The next (ultimate) thresholds next week are from back near the top of the rally in December 2020, at 4,755 and 4,785. As such any sustained escape above the low 4,700 area at the end of this week that is sustained into next week points to those mid-upper 4,700 levels. Of note, that (not surprisingly) correlates with the major 'topping' line from the 3,587 August 2020 high across the 4,550 August 2021 high.

Yet if the US equities psychology is so strong on major economic improvements to come, why are the global govies extending what was already a substantial recovery both to and above key resistance at previously failed supports? It is counterintuitive, to say the least, that the December T-note future is back up near the 132-00 area, with the Gilt well above 126.00 and Bund above 169.50-170.00.

Similarly in foreign exchange, the US Dollar Index is maintaining its recent bid, which is a reflection of weakness in the other developed currencies. It is also the case that emerging currencies have only reacted back up modestly from their recent selloffs, which may also be related to Crude Oil recovering above 80.00.

This is a real quandary on whether there is still residual 'risk-off' sentiment out there despite the positive COVID-19 therapeutic news... which doesn't really make a lot of sense. Or is it the US leading the way up on what will indeed be a better global recovery? That is harder to imagine in the inflationary environment that therefore should be weighing on

global govies. The only squaring of that circle might be that the therapeutic developments might assist in clearing the supply chain congestion, due to more workers being available once the COVID-19 concerns are more fully addressed. That will need to be closely monitored.

Courtesy Repeat of Thursday's 'Central Bankers Thread the Needle' ALERT!!

It seems that the Fed QE 'taper' is indeed not a problem for the markets, as the US equities rally extension as well as the global govies buoyancy dismiss any notion there has been a 'taper tantrum'. Even prior to Powell's press conference, the FOMC Statement (<https://bit.ly/3q1c8oa>) noted that despite the slightly more aggressively lower Fed US bond and MBS purchases beginning right away this month, the Fed is leaving itself latitude to adjust that plan based on conditions.

This is something Powell also emphasized in an answer to the specific press conference (<https://bit.ly/3k6itea>) question about the somewhat earlier than expected lowering of QE purchases from later this month. It is now clear that this is at least addressing the need to react to the higher and sustained inflation at the same time as it leaves the Fed flexible if the economy should weaken for any reason (especially on the potential for any COVID-19 pandemic resurgence.)

That explains a lot about US equities extending their rally despite the 'taper', which was never going to be a major weight on the US equities in the first place. As Powell noted in another answer at his press conference, this is a totally different, much stronger US economy than back during the Bernanke regime 'taper tantrum' in mid-2013. In Wednesday's 'Here Comes Mr. Powell' ALERT!! (repeated below for your ease of access) we also discussed the degree to which that tantrum was more so a bond market dislocation than a US equities problem. That is the background against which the current taper can best be assessed.

Then along comes the Bank of England this morning with a lack (on a 7-2 vote) of what some had expected would be a 'base rate' hike from 0.10% to 0.25% based on the degree of the major inflation surge in the UK. It also left its Asset Purchase Facility at £895 billion overall (on a 6-3 vote)... so no taper there.

During the Monetary Policy Report (<https://bit.ly/3BlwCUH> summary page link with further links to all other content) press conference Governor Bailey and his minions indulged in the same sort of legerdemain as the other central bankers have employed of late: the indication that even with inflation as high as it is, and looking to rise, in the UK it is still 'transitory' without defining that horizon.

In fact, Bailey and his minions raised the central bank sleight of hand to a new height (which we say with a degree of admiration) by focusing on the degree to which nobody can know what the future path of inflation might be. That is based substantially on the degree to which the energy price increases in the UK have been so massive, yet might be transient... defined as into sometime in 2022.

It is also of note they have an idea that higher prices will also be self-correcting as they encourage higher production in some industries that are at the heart of the global shortage-driven inflation at present. That is for items like in computer chips, which they rightfully noted no actions by central banks can address. It is also the case that untoward rate hikes might worsen the situation by weakening the economy to a degree which suppresses capital investment. Of course, in the UK it is a further problem insofar as mortgage rates are tied to the base rate.

All in all it was a yeoman's performance by the Fed Chair and Governor Bailey (and his minions) in a situation which was a bit fraught. Especially the lack of any inflation fighting hike by the BoE this morning still likely contributing to global govies buoyancy is interesting. Yet with US equities trading up into another front month S&P 500 future new 4,673 all-time high, it is important to ask whether the 'bifurcated' extensive bid in the global govies is reflecting a less upbeat economic outlook into later this year despite the strong US equities seasonal.

There are also questions for the 'risk-on' psychology in foreign exchange. Why is the US Dollar Index back up well above 94.00 again without having even tested its important lower 93.70 support? That said, the more volatile emerging currencies have recovered somewhat from their recent extended slides. Yet they are also only near important higher resistances. Possibly the lack of that somewhat expected BoE hike has encouraged those yield sensitive items. However, energy prices have also rebounded after December WTI Crude Oil future weakened from the 85.00 area this week to the low end of the key 81.00-80.00 range. While only back up to just above 81.00 at present, that still speaks of elevated prices overall.

And while we still feel the COVID-19 pandemic represents more of a risk into the Northern Hemisphere Winter than the current ubiquitous 'post-pandemic' banter suggests (see Tuesday's ALERT!! below for the full assessment), there was some good news on that front today. As reported by Reuters (<https://reut.rs/3mJ8tJq>) this morning, the UK has approved Merck's molnupiravir therapeutic treatment for those with an early phase of the COVID-19 infection. That has demonstrated 50 percent effective suppression of the worst symptomatic effects of the disease.

The UK approval comes with some caveats, such as it only being prescribed for folks with high risk of hospitalization and death. Yet that includes anyone with "*...at least one risk factor for developing severe illness, such as obesity, older age diabetes, and heart disease.*" As such, a very wide net that includes many people above the age of 50, as well as those younger folks with any type of disease that represents a respiratory or immune deficiency. This is clearly a blessing for the UK that is seeing a resurgence of the pandemic despite being highly vaccinated.

The problem for the significantly under-vaccinated US (leveled off at 58.1%) is that the availability of a therapeutic will encourage the anti-vaxxers and vaccine hesitant to continue to avoid getting the shots. While having easily administered oral therapeutics is a blessing, that it is indeed only 50%(+/-) effective will still leave a significant number at risk of hospitalization and death. So maybe even more so in the US than the UK (or other more highly vaccinated countries) the risk factors are still very prominent. (See Tuesday's ALERT!! for more.)

Courtesy Repeat of Wednesday's 'Here Comes Mr. Powell' ALERT!!

FOMC decision days are always interesting, especially now that every rate decision and statement are followed by a Fed Chair press conference. It is now Mr. Powell's duty today to explain what the Fed is going to do about tapering its now heavily extended \$120 billion QE bond and MBS purchasing programs.

That is into the face of the lower end of the labor market taking longer to recover than was expected, yet an overall strong hiring environment. There is also the strong US equities performance in the wake of another quarter of above-estimate corporate earnings. That suggests more extensive monetary stimulus may not be accomplishing much more than supporting elevated equities valuations.

Yet after so many months of signaling the QE would be gradually diminished, it is far less likely this round of lower Fed purchases will trigger anything resembling the 'taper tantrum' in the wake of Chair Bernanke's May 2013 discussion of the Fed seeing it might be time to cut back its QE purchases back then. Putting that in context, it was the first time the Fed had ever provided quite as much liquidity, which was to offset the carnage of the 2008-2009 Credit and Housing Bust.

Also of note is that the actual damage was in the bond market, which spilled dramatically into July. Yet the US equities only reacted modestly from their new all-time high, dropping 8% into a late June low prior to returning to their major bull trend. At that time as well, the strength of the economy was a key factor in limiting the losses. Yet corporate executives are now warning on the current strong earnings, where supply chain glitches and inflation are ongoing problems.

While any Fed QE taper may be a constructive influence on the latter, there is an acceptance now that these will persist. According to a Forbes article last week, Chair Powell himself noted at a virtual conference, *"Supply constraints and elevated inflation are likely to last longer than previously expected and well into next year."* This echoes what we reported the ECB's Lagarde said last Thursday.

This has left those corporate executives warning that the increased profits are now dependent on their ability to continue to push higher costs out in the form of higher prices to the consumer. At some point this is a very dicey proposition.

While there is no video clip, Monday's CNBC retail outlook segment included Matthew Shay, President of US National Retail Federation. While expecting strong overall retail growth this year as the pandemic headwinds continue to abate, he also noted the inflation component of the stronger than expected 2020 full year numbers. While up 8.2%, that included a 6.5% inflation increase component.

This is something we questioned on the October release of US Advance Retail Sales for September (+0.7% versus a -0.2% estimate.) As such, the more telling influence on the future US equities trend will likely be the path of economic data after the strong corporate earnings influence lapses. Regarding that, there is also the consideration of how much 'rearview mirror' economic releases have been weakening of late, and anticipation of a strong US Nonfarm Payrolls on Friday. However much current data improves, there is also the pandemic to consider.

As explored extensively in Tuesday's 'Bifurcation Boundary?' ALERT!! (repeated below for your ease of access), the swing into Winter in the Northern Hemisphere is not a good influence after recent improvement. Please see Tuesday's research for how this improvement is at a critical juncture at a still elevated level of new cases, and the comparison with what happened in Australia over its Winter (both of which include links to very instructive graphs on the pandemic tendencies.)

And lo and behold, what is now happening in the assumed original COVID-19 outbreak country? This morning's Reuters article (<https://reut.rs/3mEJAyv>) notes that while the raw number of cases is comparatively low, the impact of China's 'zero tolerance' policy can still bring heavy restrictions. To wit, *"Of the flights scheduled on Wednesday at Beijing Daxing Airport, 60.4% have been cancelled as of the morning, while 49.8% of flights at Beijing Capital International Airport have been scrapped."* This once again illustrates the resilience of the pandemic even as so many folks are globally discussing the 'post-pandemic' environment.

And as the title and overall discussion on Tuesday's 'Bifurcation Boundary?' ALERT!! indicated (along with an early chart link), the major front month S&P 500 future 4,621 'swing count' Objective was finally hit (and temporarily traded above) this week. It is no surprise that the December S&P 500 future is churning in that vicinity prior to the FOMC announcement and Powell's press conference. That is quite important into later this week. This is due to the next weekly Oscillator thresholds having moved up to the 4,660 and 4,685 levels this week.

Foreign exchange paints a less upbeat picture, as the US Dollar Index continues to hold its recovery back above the key 93.70 level temporarily violated last week prior to a sharp recovery. Emerging currencies continue to suffer after reversing what had been a significant rally until the later part of last week. Global govies have come back under a bit of pressure, yet only after important recoveries from major lower supports that speaks of concerns over the current economic bounce.

Courtesy Repeat of Tuesday's 'Bifurcation Boundary?' ALERT!!

Well, it's been a long haul, but the front month S&P 500 future has finally made it up to the major 'swing count' Objective set up by the February-March 2020 initial COVID-19 pandemic wave economic implosion. There's nothing like multiple levels of uncertainty to drive fear and loathing in US equities and elsewhere.

Just to clear for those who do not regularly review our annotated chart views, our weekly continuation chart annotations (<https://bit.ly/3ExSKTE>) have featured that for quite a while. This is the measurement of the early 2020 selloff's 1223.50 drop from the then current 3,397.50 February 2020 all-time high to the 2,174 implosion trading low hit at the late March bottom. That projects the 4,621 Objective that seemed so far away even once the 3,397.50 high was exceeded in August 2020.

After all of the other significant price Objectives and temporary reversal signals (most prominently the 4,410 channel DOWN Break Negated into mid-October), the December S&P 500 future is finally up testing that far more major 4,621 Objective. This is also coming at a time (mentioned in Monday's 'Technical Issues' ALERT!!) when 'rearview mirror' macro data is weakening again, and into 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. That factor will have to do with the degree to which resistant parents actually get the kiddies vaccinated.

In current polling, there are only approximately 28% of parents motivated to get their children vaccinated right away. And the roughly 30% that likely also skipped the vaccine themselves are saying they will never get their children vaccinated; the remainder are taking a 'wait and see' attitude. Our concerns on that remain the same as Friday's 'Indications Bifurcation' ALERT!! (repeated again below) where we also shared Australia's recent seasonal Winter experience (see below.)

This is instructive on the 'post-pandemic' issue we find a bit disturbing for a US that has only 58% of its population fully vaccinated. As opposed to many other developed countries, it also now has aversion to additional vaccination based on resistance to the Biden administration's attempt to impose a mandate on all federal contractors (a very wide net.) While it is just part of the picture, the politicized nature of the issue in the US is highlighted in today's Reuters article (<https://reut.rs/3CFLaWG>) on worker resistance that may cost them their jobs.

As noted previous, this is with US new cases having dropped markedly on a percentage basis, yet also remaining very high in the 65,000-70,000 range. Aside from the sheer level of new cases, this was only back to the key new cases level (see the CDC graph <https://bit.ly/3w9FdP5> for the full history) which was important on the way up in July 2020 and again on the way down in April 2021.

That new daily cases and the important 7-day average are moving back up at present from that level is not a propitious sign into the Northern Hemisphere Winter being about to bite into that 'post-pandemic' attitude suggesting more than a bit of complacency. How this will play out in the US and other economies is yet to be seen. However, unless there is a change, it is not constructive.

This is as compared to the full vaccination rate in Australia being close to 80%, yet with a real problem in their Winter that is now ending. From late July onward the spike in cases is dramatic (<https://bit.ly/3nKb2dG>.) Once again these were significantly lower new case numbers than the US and previous levels in Europe. However, the proportional suggestion if the Winter outbreak in the US is even a modest percentage of what was seen in Australia is a daunting prospect.

That is in addition to the other factors, like the further slowing of the Chinese economy along with the problems of their property developers, and the very likely continuation of the combined shipping bottlenecks and inflation they are driving. Recent communication from politicians is less than encouraging in that regard, and central bankers have led us to believe they see these problems as more ingrained than previously suspected... possibly lasting well into 2022.

Along the way, the US equities strength represents a bifurcated divergence from what is occurring elsewhere. There is the recent resilience of the global govies indicating concerns over economic strength once again. Developed currencies have stalled in their recent rally, with the US Dollar Index recovering back above its 93.70 level. Emerging currencies have retreated from recent rallies into a significant bout of weakness as well. Not a lot of 'risk-on' out there right now.

That said, our final word on that major front month S&P 500 future 4,621 'swing count' Objective is that these sorts of major targets are rarely bright line technical trend levels. Rather than stalling outright into that area (which it has indeed already modestly exceeded), it will be important to see how it performs overall.

Is this just another bull trend way station, or might it become a more significant 'bifurcation boundary' prior to a more significant trend correction or 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/3ExSKTE> 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 was a Tolerance below that (as seen on selloffs in both June and July) down to 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 seemed a broad berth, on past form only below the 4,350 area does it 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 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 on the then renewed pressure. And much like previous, it was temporarily violated. The difference is that the daily 'trend flow' was quite a bit different with the 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 the at that time weekly MA-9 and MA-13 in the 4,435-45 area looking more bullish 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 last week 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 4,660-85 area this week (rising \$30 per week.)

Thanks for your interest.

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