
ROHR ALERT!! Variant Three Card Monte

1 message

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Dear Subscribers,

It seems there is another round or 'risk-on' psychology reasserting itself at present, with the December S&P 500 future back above the 4,621 major 'swing count' Objective after churning below it for the past couple of weeks. Just to be clear, we have always noted this is more so an overall level, and was not to be used as any sort of near-term trend decision level. There are other more telling Evolutionary Trend View (ETV) indications which are critical in the current trend.

What is clear for now is that other asset classes that led the possible restoration of any full 'risk-on' psychology are now stalling. This gets back to a bit more of the 'bifurcation' which was so evident on some previous US equities rallies while other markets languished or weakened. Prior to getting to the 'macro' psychology alluded to in today's title, here is our review of the most critical US equities ETV dynamics, even on a further rally. The key is likely the 4,694.50 weekly DOWN Closing Price Reversal (CPR) from the 4,740.50 new all-time two weeks ago.

That is from the previous week's Close, and has a Tolerance of the previous week's 4,723.50 previous all-time high (as highlighted in the annotated weekly chart through last Friday <https://bit.ly/3rFcsd3>.) With December S&P 500 future already above the interim 4,660 congestion, those become the key levels to watch on the improved 'risk-on' sentiment. We will revisit the psychological alternatives below, yet note weakness late last week reinforced the DOWN CPR psychology, and may mean it remains a telling hurdle for any return to more 'risk appetite'.

That background on the 'Variant Three Card Monte' has to do with just how much overall market proclivities, with alternative outcomes on pandemic resurgence and other factors, makes for a challenging guessing game. For the uninitiated, classical hustler's scam on cheating targets with an unwinnable choice in a playing card version of the classical 'shell game' (for more please see the WIKI: https://en.wikipedia.org/wiki/Three-card_Monte.) The difference here is that there is a way to mostly figure out the right 'guess' on what factors are going to be the dominant near-term and intermediate-term market influences through this month.

The first is the pandemic itself, where we have previously noted hyperventilation over Omicron, while it has been only passingly mentioned that US New COVID-19 Cases have been rising once again. We once again share the updated CDC graph (<https://bit.ly/3opy235> as of Friday), which shows an interesting new cases rise from 100,000 to 150,000 right after Thanksgiving holiday suppressed reporting.

As we had warned on that holiday suppressed reporting, while the 7-Day Average looked weaker, that was part and parcel of the lower reporting rather than any organic improvement. As we expected, that has moved back up as expected higher post-holiday postings caught up later last week. While it has dropped back into the daily 40,000 level, that is typical for lighter weekend reporting loads.

As noted repeatedly of late, the bigger issue will be what that shows into the post-Thanksgiving travel and gathering new cases into especially the later part of this week. Maybe there will be miraculously lower new cases after major travel.

However, on past form for all US holidays in addition to all of the 'normalcy bias' that has seen recent major unprotected gatherings for sporting events, in dining and hospitality as well, this would be indeed miraculous. Which is why part of the 'Variant Three Card Monte' consideration is whether

Delta or the new Omicron variant will be the most critical for the future pandemic path. News organizations can be partly excused for the Omicron focus, as it is the 'news' right now.

However, informed sources have already told us that the resurgence of Delta is likely the far more major development in the northern hemisphere Winter we are just entering at present. This is only reinforced by still low US vaccination rates. Only just having achieved the 60% level leaves it very vulnerable to a sustained rise in new infections. Anecdotal indications that Omicron is less virulent despite being more transmissible are of little comfort if Delta is fully resurgent.

In that regard we pick Delta as the real issue which is facing the currently more confident 'reopening' trade that is driving US equities' upbeat rebound. It is after all the economy, and especially the outlook into the later part of the Winter, which will ultimately drive the near-term trend. While the US and global economy is the second choice in the potential 'Monte' decision, that is more problematic under consideration of a major pandemic resurgence which might affect the 'gathering' economy despite many folks' desire to shed any pandemic suppression steps.

This gets to the third card facing the markets under the 'Monte' selection: the Fed, and its removal of extreme accommodation. This is likely the least critical for any bullish US equities trend, as the Fed is a 'self-adjusting' influence. Note how quickly the yields dropped into the Omicron influence despite no indication from the Fed this would affect its QE 'taper' plans. While that might have been inferred, the Fed did not need to say anything. And in the scenario where the economics find a way to not lose momentum under any pandemic resurgence (not our most likely scenario), the markets can likely tolerate any lower Fed accommodation.

So the bottom line is the Delta variant, and any current significant resurgence which suppresses public 'gathering' economy affinity, is the most likely winning card in deciding the right choice for 'Variant Three Card Monte'. Not necessarily the obvious choice, yet the most critical at present into at least later this week. This is reviewed in Friday's 'Problematic Data and Outlook' ALERT!! (repeated below along with Thursday's 'US Omicron Patient #1' for your ease of access.)

The other ETV tendency to watch closely is the global govies, as they are back under pressure after the immediate bullish (i.e. lower yield) Omicron influence is waning on recent less dire anecdotal influences. Of special note is Wednesday's typically early front month German Bund future expiration. As previously noted, the March Bund future is trading at almost a full 2.00 premium to the expiring December contract. That leaves it at 174.40, well above the 172.50-173.00 area lower congestion. These significant premiums or discounts in the second month Bund into expiration are clear signals of how the psychology is shifting into the next quarter's outlook. At present it is not very bullish on the global economy.

Courtesy Repeat of Friday's 'Problematic Data and Outlook' ALERT!!

Well, it was certainly a problem that this morning's US Nonfarm Payrolls was only +210,000, so far below the +550,000 estimate that was reinforced by Wednesday's ADP Employment report. Some of the related data was good, and lately the NFP releases have been subject to upward revisions. However, as those have only been in the +100,000 area, it doesn't provide much comfort to economic bulls.

The 'silver lining' in some folks' view is that, along with the COVID-19 Omicron variant's arrival, this will give the Fed a bit more breathing room with which to avoid the acceleration of its planned QE taper. That had been expected as early as January. However, in the context of still elevated (even if slightly easing at present) inflation, the Fed will still need to show some inflation discipline.

And of course, that problematic NFP release is only one of the problems weighing on any return to a more robust US 'risk-on' psychology in the near-term. The way in which the Omicron variant is affecting the seemingly inexorable 'return to the office' thrust by corporations is also more problematic than previously expected. The "Omicron may throw wrench in companies' plans to return to office" title of yesterday's Reuters article (<https://reut.rs/3lhTejy>) says it all. Firm commitments to resume full office staffing have substantially moved to "wait and see."

As one senior executive notes, *"Everyone pretends that things are getting normal, but it is not normal. We have all changed."* There has again been 'normalcy bias'. Except for the 'gathering' businesses, many are noting *"Each successive wave of lockdown had less of an impact on our business..."* due to adaptations. Many agree with the key executive who noted the return to the office is less important, with the thrust into uncertainty leading to, *"What we want to do is reimagine the office."* That's code language for more 'home/external work'.

And indeed that may not affect those businesses too much into strong consumer demand that is evident at present. Yet it does impact all of the 'gathering' economy businesses which had just come out from under the pressure of the previous pandemic waves and their significant headwinds. While there is another wave brewing around the Omicron variant spread, there is a key factor into the northern hemisphere Winter that many have blithely ignored: Delta is still here.

As noted in Thursday's 'US Omicron Patient #1' ALERT!! (repeated below with other previous analysis for your ease of access) the Delta variant resurgence was already troubling, and remains a more immediate threat than the truly undefined new variant impact. With all of the hyperventilation over Omicron, it has been only passingly mentioned that US New COVID-19 Cases have been rising once again.

We once again share the CDC graph (<https://bit.ly/3Dg7F3L> as of Wednesday on the typical 2-day delay), which shows an already interesting new cases rise to the 120,000-130,000 level right after the Thanksgiving holiday's suppressed reporting. While the 7-Day Average looks weaker, that is part and parcel of the suppressed holiday reporting we have previously noted. That should move back to rising as we head into the likely higher post-holiday travel cases next week. We shall see.

What remains problematic as well is the US lack of vaccination. We reviewed that situation on Thursday, and suggest review. This is all about how US government and local authority vaccination and booster drives are just so much flailing as long as the overall US full vaccination rate remains stalled at no better than 60%, where it has been for the past month or more. And the indication that many folks who have had COVID-19 have some immunity may also be highly misguided.

Ex-FDA head and Pfizer board member Dr. Scott Gottlieb was interviewed on CNBC this morning (<https://cnb.cx/3DmvBCT>), in what was mostly a discussion of the prospect for more variant-specific vaccines. This is interesting viewing, yet does not include a key passage after the main conversation, which was on the fact that *"the problem is still Delta."* That fits in with our current view of the main COVID-19 risk, and he even noted the same problem we highlighted Thursday:

"There is also now the issue of whether (nobody knows) how effective the antibodies from a previous variant will be in countering new forms. Not very likely they're effective." Some have suggested the US has a higher protection due to the extent of previous infections. Yet, he noted this will leave unvaccinated folks much more vulnerable, if they still feel they are protected by previous infection.

While still a work in progress over the next two weeks, the impact of Omicron on even the fully vaccinated and boosted means that the unvaccinated will be especially vulnerable. One more reason to be suspect into the near-term future. Once again, as we are always keen to remind, *"The market (which is classically to say equities) is a creature of expectations."* This seems very relevant again now.

While the rest of our Evolutionary Trend View remains the same, US equities deserve another revisit for a quick update. It is most interesting that even with the weaker US NFP this morning, December S&P 500 future managed to rally back to nearly test that major (previously overrun) 4,621 'swing count' Objective. It was possibly on that potential reinstatement of a more sanguine Fed view. Yet it was also the case this morning that it would need to be exceeded again to reinforce an overall positive performance on the week from last week's 4,596 weekly Close.

Failing to do so, even in the wake now of a new all-time high Services PMI, is a troubling sign that the market is more so concerned about the outlook that what we always caution are 'rearview mirror'

economic releases. Last Friday's Close also represented a major DOWN Closing Price Reversal (CPR) from the previous week's 4,695 Close. The rule of thumb is any bona fide DOWN CPR should see further weakness the following week... which seems to be the case at present.

For your convenience we repeat Thursday's lower support dynamics which are not in the current trend view below. *"The December S&P 500 future interim support at 4,535 was already violated on Wednesday afternoon's straight down plunge, even if slightly back above it now. However, this is still back below the major 4,621 'swing count' Objective which it had previously overrun and fallen back below at various points since last Friday. Below that interim 4,535 area the more major congestion support begins at 4,450, and intensifies into the 4,400 area. That includes the late September 'Evergrande' selloff that kicked off the weak seasonal, with a significant 4,410 Negated weekly channel DOWN Break reinforcing the support into the low end of that range."* That's it for now, except to note that weekly MA-13 is also in the 4,535 area, reinforcing its importance.

Courtesy Repeat of Thursday's 'US Omicron Patient #1' ALERT!!

In the first instance, the discovery of the first US omicron variant case should not be any surprise in the context of global spread. This was in a California resident who just returned from South Africa, and as a single case it is reasonable that it is statistically insignificant. However, as it is also in an individual who is fully vaccinated, it is psychologically compelling. That has to do in part with the misguided inference of many folks that the vaccinations will prevent infection.

The elimination of some nasty diseases, such as smallpox and measles, is based on those inoculations preventing the onset of the disease. However, the COVID strain of diseases are more so like annual influenza outbreaks, where the disease syndrome is only mitigated by the virus to prevent more severe illness. As such, there are probably more than a few folks who were very surprised by the first US Omicron patient being someone who was fully vaccinated. This is probably at least in part responsible for the extent of US equities weakness on Wednesday.

We will return to 'macro' background shortly for the reasons Omicron will likely remain a key negative near-term factor. Yet, it is first important to update our US equities view that had only included a lesser degree of lower December S&P 500 future support yesterday prior to the sharp selloff. The balance of the analysis remains the same in the other asset classes, with the additional note that the misguided US policies seem to be reversing the US dollar 'haven' bid.

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Hopefully that is sufficient lower support articulation for now, and we will quickly revisit the situation if necessary. Yet, in the overall picture it is important to revisit our highlighting the aspect of the November 17th ECB Financial Stability Review that noted the extended high financial asset valuations at present. The link to the full review was repeated on Tuesday near the bottom of the 'macro' analysis (with links to the review and the key graph.) Of note was the degree to which financial asset values appear to be as extended to the upside now as they were depressed at the bottom in 2009. That is likely also just a bit of recent US equities weakness.

In the meantime, the degree to which the US also now has a problem and may be lagging others in its address of the key issues has weighed on the previous US Dollar Index 'haven' (or more likely 'shift to the less bad') bid. It is once again weaker than not back toward its key 75.70 congestion. It is important to recall the US dollar can develop a 'haven' bid during international crises, yet is less likely to do so when the problem is centered there. That seems to be the case now, and takes the typical US dollar measure of 'risk appetite' out of the equation for now.

That is especially the case for it regards emerging currencies this morning, where they are continuing their recent strengthening despite the Omicron onset. It is especially of note that the South African rand is seeing USD/ZAR weaken from a test of its 16.30 resistance back down to near the key 15.65-.55 range (previously violated January-March full year trading highs.) And it is not just the rand, as other emerging currencies (outside of the domestically vexed Turkish lira) are also strengthening further. This has created a sort of 'reverse bifurcation' where overvalued US equities are troubled while other assets are improving to a degree.

This is 'not unreasonable' due to general residual pandemic response problems in the US. It gets down to the US official attempts at stronger measures flailing in the context of the politicization of the full range of pandemic issues, which is much worse than in many other locales, with a full exploration below.

On CNBC this morning (sorry no video clip available) ex-FDA head and Pfizer board member Dr. Scott Gottlieb was stressing the importance of vaccination booster shots. His knowledge on this has always gone toward the degree to which boosters provide an outsized antibody increase, even compared to the initial second shot of any vaccine. That in turn makes sense on the degree to which those excess antibodies will create some response even to the other virus variants that are not intrinsic in the vaccination's primary antiviral activity.

This all makes sense in theory, and will likely be a major benefit to countries whose populations are already close to wholly vaccinated. Yet the US remains just below 60% vaccinated, and that is the ongoing problem which leaves it lagging Europe and some other countries which imposed vaccination mandates. While the backlash was great, it seems those policies are now paying off.

According to this morning's NBC News article (<https://nbcnews.to/2ZS8jag>), "*France's vaccination rate went from 20 percent to 82 percent in three months.*" In addition, many other countries. "*...are requiring proof of vaccination for airline travel and restaurant dining.*" Some friends who just returned from France told us it was great to be sitting in restaurants where all of the other patrons had to show their digital vaccine 'passport' (proof of vaccination) to have entered the place.

Yet in the US the politicization of the issue, where mandates for vaccination and masking are rejected by those in the 'civil liberties' camp, means there is little chance anything so effective will occur. The pernicious political dynamic on that is the degree to which that is substantially being pushed by the Republican Party in opposition to any Biden administration measures. Yet they will also damn Biden for not fulfilling his promise to 'tame' the COVID-19 pandemic. As such, it must be allowed that the US will continue to lag based on grassroots resistance.

Therefore, while we hate to play the Cassandra once again, all of the stronger steps that Biden and his minions present in news conferences and papers are so much flailing in the face of the politicization of the issue here. What does it mean when even all of those who are already fully vaccinated get those highly useful boosters, if the remaining 40% of the US remains completely unvaccinated?

It is an exercise in futility. There is also the view that a goodly number of the folks who are now unvaccinated have had COVID-19, and some degree of protection from those antibodies. Yet what we know is that the 'natural antibodies' are not as effective across time, and do not last very long (6 months at most.) There is also now the issue of whether (nobody knows) how effective the antibodies from a previous variant will be in countering new forms. Not very likely they're effective.

Courtesy Repeat of Previous critical consideration

[Expanded S&P 500 future Evolutionary Trend View in today's macro background]

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/3D3pV08> 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. After that was exceeded, a 4,621 major 'swing count' was the next key threshold, with the next key weekly Oscillator thresholds up into 4,725 and 4,750 last week (still rising \$20 per week.)

After stalling into them early last week, there was finally a reaction that was still only down to 4,660 interim support on Wednesday. However, the Omicron news into Friday immediately knocked it back below that area down below the 4,621 previously exceeded upside Objective as well. After Monday's rally back up to 4,660 failed it dropped closer to interim 4,535 support prior to rallying back into the 4,621 area; which will all remain very interesting into the end of this week.

Thanks for your interest.

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