Gmail Alan Rohrbach <ar.rohr.intl@gmail.com>

ROHR ALERT!! OECD Says 'Not So Fast'

1 message

ROHR Alert <rohralert@gmail.com> Thu, Dec 9, 2021 at 10:49 AM
Bcc: ar.rohr.intl@gmail.com

Dear Subscribers,
As we have been alerting since the beginning of the week, today's next monthly Organization for Economic Cooperation and Development Composite Leading Indicators (https://bit.ly/3IDvYge for our marked-up version) was going to be more important than usual. That is due to the degree to which the previous two months' releases were already indicating growth slowing. For the unfamiliar we always note that this is a net four month forward view, based on a six-month projection with a two-month delay to confirm the veracity of the various studies data.

Of course, that fits right in with the US equities forward anticipation, and tends to ignore any minor data anomalies along the way. As such, the 'Not So Fast' is a play on words both cautioning those who have an overly optimistic view into the early part of 2022, and the actual indication for future global economic growth. Notable in its analysis is, "...*signs of a possible upcoming peak in the growth of economic activity in the United States, Japan, Germany and the United Kingdom. Similar signals have now emerged in Canada and the euro area as a whole, including Italy*." With similar signs for China (as we have already been noting for some time), the question becomes what specific indications are critical now.

As we have stressed both in and well prior to Wednesday's 'Monte Winner!' ALERT!! (repeated below for your ease of access), the Fed is a non-factor now joined by the lowered threat expectations from the COVID-19 Omicron variant. That is after Wednesday's Pfizer-BioNTech fully boosted vaccine very high efficacy announcement. That was already the case on Omicron's initial lower observed virulence. As such, our guess of how the Delta variant resurgence plays out in the various global economies seems the way to view the situation now.

As a further note on overall asset class tendencies, it was and now remains most interesting how Wednesday's highly constructive Pfizer-BioNTech announcement defusing the Omicron threat led to a more classical coordinated market response. The strength of US equities was accompanied by strength in all non-US dollar currencies, and weakness in all global govvies. As a reminder, this is after so many recent 'bifurcated' intermarket trend phases for many months.

Yet it seems this 'good news' response also applies to more of the 'bad news' psychology that has returned today. That is most interesting in the context of the 'rearview mirror' economic releases being rather upbeat over the past several days (especially in the US.) There are reports of US consumer concerns about early 2022, yet also with indications they are planning robust holiday spending.

With such seemingly constructive economic background, why are the US equities weakening, the US Dollar Index getting some 'haven' bid back after the latest dip back near the 95.70 key low end of its recent churn, and the global govvies which had weakened so much on Wednesday recovering so nicely? It has been highly problematic for months to rely on the US equities as a bellwether of the overall 'risk-on' psychology, as they have often remained resilient while other asset classes reflected more of a 'risk-off' psychology. While they have succumbed as well at times, they have not led any shift to more of a 'risk-off' psychology.

However, with the current seemingly synchronized trends, we will look at them for the overall tone after this week's extension of their recent major recovery stalled in the key resistance. As also reviewed in Wednesday's 'Monte Winner!' ALERT!! (and early week analysis), March S&P 500 future

(front month future on December 17th) at a $7 discount to the December contract has only tested the key 4,694.50 weekly DOWN Closing Price Reversal (CPR) from two weeks ago. That has a Tolerance of the previous week's 4,723.50 previous all-time high. On recent historic form, even a market that came back over $200 from the Omicron scare 4,492 front month future trading might still manage to stall into resistance.

As noted above, today's weakness is reinforced by the strength of non-US dollar currencies and the global govvies significant rebound. Whether today's incipient 'risk-off' indications continue will likely depend on the forward view that is going to be at least partially determined by the public sentiment regarding the resurgent Delta variant. The key there will be whether there is any significant reversion to 'gathering' economy aversion if the news becomes much worse in the near-term.

While there is a bit of 'good' news today in Tuesday's drop back to 'just' 119,895 CDC reported US New Cases from Monday's explosion to 190,298, the rest of this week remains a very critical horizon. That is on the full indications for how bad any Thanksgiving travel and gathering surge might become in the key two weeks later time frame. As noted, Monday might have been some typical 'catch-up' from the lighter weekend reporting, as we saw during much of November. Yet if the new cases remain elevated back toward 200,000 later this week, it's a problem.

Courtesy Repeat of Wednesday's 'Monte Winner!' ALERT!!
Well, for at least part of our multifaceted assessment of what to look for in the late-year market psychology, it seems we had guessed right. Once again like the degree to which our skepticism of the 'risk-on' psychology got an unexpected boost two weeks ago from the Omicron new COVID-19 variant news, there was a not totally unexpected bit of positive news this morning: the Pfizer-BioNTech announcement that their 'boosted' vaccination was effective against Omicron.

CNBC interviewed Pfizer CEO Albert Bourla (https://cnb.cx/3yerAzq) this morning on the specifics of what its most recent studies have told us (with further results pending into the end of this month), and it is worth reviewing for more details. Overall, this is undoubtedly great epidemiological news, and we should all be very happy. We also picked the right card in terms of the overall 'reopening' versus 'resurgence' psychology, insofar as Omicron really doesn't mean much.

As we extensively explored in Tuesday's 'Variant Three Card Monte' ALERT!!, (to paraphrase a recent Scott Gottlieb quote) "...*Delta never went away*." Which is as we have counseled since late October, and continued to advise regarding the nominally weak US New COVID-19 New Cases reporting from the CDC into and after the heavy Thanksgiving travel and gathering weekend. As revisited again in Tuesday's analysis (repeated below along with other assessments), the real key will be the levels into later this week. That should provide more of an impact on the US and global economy from Delta than Omicron ever likely will.

And here comes the full week later (the key timeframe) post-Thanksgiving CDC US New Cases graph (https://bit.ly/3lzzckz), with its indications that the heavy travel and gatherings might have indeed triggered another massive surge. It is possible that this is the sort of 'Monday catch-up' after the weekend seen through much of November. Yet that was not the case last week, and anything less than an implosion in new case levels from Monday's explosion close to near the 200.000 level peak back in early September will not look very good. Once again, especially consider the 65,000-70,000 Daily and 7-Day Average New Case level they never dropped below in late October, with the 7-Day now back up to 117,000.

And in the context of protection against Delta variant or even the latest hopeful indication on the ability to counter Omicron with full 3-shot boosted vaccination, the weak overall US vaccination levels likely remain a problem. While we have recently highlighted some key aspects, there was a CNBC graphic this morning on the major metrics (https://bit.ly/306BDtH.) While a surge in vaccinations has occurred in the wake of the Omicron scare, it is still only 60.1% fully vaccinated.

In the context of the rightfully upbeat reporting on the Pfizer announcement this morning, it is important to recall that this was for the 'boosted' vaccination that is only possible for the 60.1% of US individuals who are fully vaccinated. It is also the case that the additional 11.0% who have had just one dose will need both their second dose and the months long waiting period (for Pfizer and Moderna mRNA vaccines) prior to being ‘boosted’. That leaves quite a bit of vulnerability for them and the US ‘gathering’ economy, which might see public sentiment weaken again.

While we hate playing Cassandra, this warning is especially necessary at this time due to the recent major improvement in the ‘risk-on’ psychology driving US equities higher, and being reflected in other asset classes as well. As we noted in Tuesday’s analysis, for all of the Fed fixation, it remains a minor influence. That is due to the degree to which any QE ‘taper’ acceleration will only occur if the US economic reopening and recovery remains strong. And in that case tightening by the Fed may become a counterintuitive sign of strength for the markets.

The other key ‘card’ is the actual economic performance, which has seen some weakening of late in Europe and Japan even as the US remains strong overall. However, the post-Thanksgiving period is likely a significant indication for future public sentiment on the ‘gathering’ economy (dining, travel, hospitality, etc.) into the key Christmas holiday period. As such, we will continue to closely monitor both the CDC New US COVID-19 Cases and any public response to that (as indicated by reports from those key industries) to see if the major services sector rebound will indeed continue into late this year, or abort at least in the near term.

As far as market psychology, while the US equities have strengthened markedly, the March S&P 500 future (front month future on December 17th) at a $7 discount to the December contract is still near the key 4,694.50 weekly DOWN Closing Price Reversal (CPR) from the 4,740.50 new all-time two weeks ago. That has a Tolerance of the previous week’s 4,723.50 previous all-time high (see below for more details.) The operative question is whether a market that came back $200 from the Omicron scare 4,492 front month future trading low might still manage to stall into resistance created during the early part of that scare? On historic form the answer is “yes”, at least temporarily based on many recent market swings.

And what of the weakening of the US Dollar Index against developed currencies along with the strengthening of emerging currencies? Again, this is reasonable on the resumption of ‘risk-on’ psychology into the resumption of the ‘reopening’ trade on reduced psychological stress from less of an Omicron threat. Yet it is the case the Delta impact is still out there and looking to possibly worsen, which will be the more telling card the market Three Card Monte dealer will be playing. It is possible however that the US dollar will not benefit as much as in a typical global crisis, if indeed the level of stress seems greater in the US than elsewhere.

And the weakening of global govvies on today’s positive Pfizer Omicron news? Second months (March) of the T-note and especially the Gilt are indeed into or below some key support (T-note 130--00 and Gilt well below 128.00) on their discounts to the December contracts. However, their expirations are still quite a ways off (T-note on the 21st and Gilt not until the 29th), and their trend decisions still leave room to be affected by the further evolution of the pandemic. And while dropping quite a bit today, the March Bund future is only backing off from near its 175.00-.50 resistance, and is still well above 172.50-173.00 historic congestion the December contract stalled into prior to today’s typical early-month expiration.

Courtesy Repeat of Tuesday’s ‘Variant Three Card Monte’ ALERT!!
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 ley 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 govvies, 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 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.

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