Alan Rohrbach

From: no-reply@vrmailer3.com on behalf of ROHR-BLOG <info@rohr-blog.com>
Sent: Monday, November 05, 2018 9:53 AM
To: Alan Rohrbach
Subject: ROHR-BLOG: Economically Inconsequential US Election, Quick Take, Calendar

View this email in your browser

Dear Subscribers,

We are coming to you with a pre-election overview as it relates to the US economy, and very limited technical Market Quick Take.

On the eve of the US midterm election, rhetoric and emotion are typically high. Each side is ramping up its partisan propaganda on them being the only ‘right’ way to vote, with a victory for the opposition portending the imminent demise of the country, and possibly the world. This is yet another sign of how right Marshal McLuhan was back in the 1960’s on the Electric Age destroying existing social structures (http://bit.ly/2KCuNOK), like bipartisan governance.

Yet the medium-term economic impact of Tuesday’s US midterm elections will be negligible, or nothing at all. That is due to the lack of any change to the economic landscape under any expected scenario, or even the most radical assumptions. The ‘received wisdom’ is the Democrats will gain enough seats to take control of the House, yet (except under the most unlikely scenarios) the Republicans are due to retain control of the Senate. As such, the most likely outcome is a return to the US ‘gridlock’ that preceded President Trump’s 2016 election.

And on past form, if the existing politico-economic landscape seems constructive for business, gridlock will simply leave current conditions

further encouraging recent business success. For all that partisans on both sides have their 'knickers in a knot', the Dems taking the House is economically meaningless.

Where it does make a difference is in control of key House committees (a topic we have visited previous.) That means various investigative panels will shift their focus to attacking Trump instead of his opponents. There might even be a move to impeach Trump, even if the cooler Democratic heads would be against it based on past experience (backlash against the Clinton impeachment.) Possibly if the Mueller probe comes up with something that actually rises to an impeachable high crime or misdemeanor, that will change.

Yet even playing that thread out to its presently marginal conclusion, what if the Senate indeed convicts Trump and expels him from office? There is no credible logic pointing to a President Pence reversing tax reform or reimposing the regulations Trump rolled back. Market discomfort with an impeachment must be incorporated into any relevant trend view. Yet, if the economics remain much the same regardless of even the most extreme political outcomes, then the overall Evolutionary Trend View will remain much the same as well.

Limited Market Quick Take (much the same)

Two weeks ago DECEMBER S&P 500 FUTURE Broke DOWN at 2,708 from its broad up channel since the February-April mid-2,500 area sharp reaction lows. As noted previous, that week's Close below the late-May 2,675 pullback low Tolerance of the channel was by such a marginal factor as to allow subsequent recovery.

And even after Friday's weakness last week's rally was strong enough to push back above 2,708 (http://bit.ly/2DlEWAc) in a way that seems to Negate the DOWN Break. As such, that is once again support with a reinforced Tolerance to 2,675.

We will be returning to a more robust technical US EQUITIES Evolutionary Trend View from Tuesday morning onward, yet felt a bit more extensive than usual pre-election opening perspective would be useful. It seems to reinforce the technical activity indication that the US EQUITIES

likely remain bullish overall in the near term.

Shortly after the election the upcoming ‘Santa Claus Rally’ will further reinforce the basically firm economic influences if indeed US EQUITIES reestablish overall upward momentum. Below we refer back to Friday’s emailed research note Market Quick Take considerations for the still relevant extended trend discussion of OTHER ASSET CLASSES.

With a couple of notable exceptions, very little has changed elsewhere since last Monday’s research note, we refer you back to that for more on the various OTHER ASSET CLASSES. The GOVVIES are predictably giving back some of their recent ‘haven’ bid as the US EQUITIES reverse their recent weakness. Even the more resilient BUND is back below the violated 160.00.-30 area in spite of continued concerns in EUROPE.

Similarly in FOREIGN EXCHANGE the EURO and POUND were suffering more than the other DEVELOPED ECONOMY CURRENCIES prior to the current restored global economic health psychology recovery. Even on the near-term setback, the US DOLLAR INDEX maintains its push toward mid-upper 97.00 resistance we have noted since it first pushed back above 95.00-.50 in early October. With the hint (however specious) of US-China rapprochement in the wind, it is not surprising that the AUSTRALIAN DOLLAR saw AUD/USD snap back up to its historic .7200-50 area from October’s month-long vigorous test near the .7000 area congestion.

And while the EMERGING CURRENCIES are still more country-specific trends than previous, they are responding well to the idea there may be a more constructive global growth environment. Even the looming government change-beleaguered MEXICAN PESO has dropped back below from temporarily above its 20.00-20.20 congestion.

While once again seeming a bit less relevant as we have been noting for a while in the midst of more major global trade and political cross currents, this week’s Weekly Report & Event Calendar (accessible for Sterling and higher level subscribers) is available via the www.rohr-blog.com sidebar. While it is a useful guide to all of the important data and events of this week, all of it is just the lead-in to Tuesday’s US midterm elections. We will likely see how that ‘received wisdom’ of the Democrats regaining control of

the House of Representatives while Republicans hold on to control of the Senate (as noted above) plays out from Wednesday morning onward.

The Rohr-Blog Research Team

info@rohr-blog.com