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To: Alan Rohrbach
Subject: ROHR-BLOG: Third Alternative, Quick Take, Calendar

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Dear Subscribers,

We are coming to you quite a bit earlier than usual with an outlier US midterm election potential we did not include on Monday due to its low probability: the possibility the Democrats will take control of both the Senate and the House.

We will revisit that soon, but first it is worth noting that regular market influences early this week have improved from previous weak data. Outside of China and Italy that were weak for obvious reasons, the global Services PMIs this week have been firm-to-strong. This is further reinforced by strong US job openings data. That gives us more reason to suspect the US EQUITIES (and others) can indeed return to strength after the US election results are in.

If so, this will also represent a renewed stressor for GOVVIES and support a return to strength in the US DOLLAR INDEX versus the DEVELOPED ECONOMY CURRENCIES, even if the EMERGING CURRENCIES may benefit from that additional global economic strength scenario.

There are three distinct election potentials for the US Congress: the GOP retains control of both House and Senate (a outlier bullish economic scenario); a split due to the Dems taking the House (most likely and still constructive scenario… see Monday's emailed research note); the Dems

taking both the House and Senate. Only that last alternative is troubling for the EQUITIES on possible policy reversals.

The reason Democrats are likely going to take control of the House is backlash against President Trump's style among educated suburban voters who went for him in 2016. The RealClear Politics election map and table (http://bit.ly/2PFyl9E) amply illustrates the 38 House toss-ups being mostly in Republican held seats. That speaks volumes about reversal in states where Trump won handily in 2016.

15 current Republican seats are already likely to become Democratic (i.e. not even toss-ups), and Democrats only need a change in 23 seats total to take control of the House. As such, if Dems take only a third of the toss-ups, they will once again control the House. That still remains economically irrelevant due to any policy changes being unlikely, as explored in Monday's emailed research note

And the Senate is the opposite math. The GOP will likely take enough seats from vulnerable Democrats to offset any of their own losses, thus maintaining control of the upper chamber. Thus, while anything can happen, the split Congress with the House going Democratic remains the most likely outcome. As noted previous, this would still be intermediate-term economically and EQUITY MARKET constructive.

Limited Market Quick Take (much the same)

Two weeks ago DECEMBER S&P 500 FUTURE Broke DOWN at 2,708 from its broad weekly chart 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 critical consideration from Wednesday morning onward, yet felt additional extensive pre-election

opening perspective would be useful under the circumstances. It seems to reinforce the technical activity indication that 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 (more on that soon.) Please refer back to the Friday emailed research note critical consideration for the still relevant extended trend discussion.

With a couple of notable exceptions, very little has changed elsewhere since last Monday's research note, and we refer you back to that or the shorter summary in Monday's emailed research note for more discussion.

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, so far that is just the lead-in to today'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. Yet even at that there are still some other important impacts this week along with the regular early month economic releases. Those include Thursday's important Chinese and European trade data and European government bond auctions prior to the US FOMC 'statement only' rate announcement. Friday sees UK GDP and Chinese and US inflation data into Monday's US Veterans Day DEBT & FOREIGN EXCHANGE market holiday.

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