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ROHR ALERT!! Trump Positive and Employment Negative

1 message

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Dear Subscribers,

First of all, as we assume all Americans (even those who dislike him) are feeling, we wish the President and First Lady mild symptoms in their COVID-19 infection, and a speedy recovery. Aside from sheer compassion, there is also a practical aspect: We don't need even more confusion and craziness into the November 3rd US general election. While the President might have been the progenitor of the devolution of US political culture into erratic moments, nobody needs more of it.

As far as the political implications of the First Family's illness, it is far too early to tell with the degree of the President's illness yet to be known. In any event, there are so many permutations of the potential twists into the election, this is neither yet the time nor the place to review them. For now we still present Wednesday's 'Tie Goes to the Challenger' ALERT!! extensive assessment as the most likely (if already very convoluted) litigious Trump campaign approach to the election.

Waiting for further news on his illness leaves us back to the macro-technical view of current economic data and events. Looking at the latter, continued resilience of COVID-19 infection spread is now being designated as a full 'second wave' in a Europe that had hoped it was past the worst. While some are saying this is bad news for the US as well, that is a bit specious. Due to the serious lack of adhering to COVID-19 suppression protocols, it doesn't make a difference if the US is seemingly still in an extended 'first wave'... it is still a very bad situation.

Without any sense of satisfaction, this is as we have been warning for some time. As long as some significant portion of the population refuses to adhere to the COVID-19 suppression protocols, the risk to the whole population remains outside of those who are observing strict personal quarantine. And the fear of infection is affecting all manner of businesses, especially smaller local bars, restaurants and retail shops. That is as opposed to the major mail-order sellers who are benefitting from the move in their direction due to the quarantines.

We refer you back to Thursday's "'Risk On' Follies" ALERT!! for much more on the impact on dining and other businesses, in addition to the impact on some major vulnerable businesses. It reviews recent layoffs at the airlines, Disney, and other major public contact businesses, which includes all Western economies. The impact on US restaurants (which we assume is the same globally) reviewed in the CNBC interview with master chef and dining entrepreneur Andrew Zimmern (<https://cnb.cx/30mYiPp>) is striking. Without further relief, the situation is awful.

Along with the review of the CNBC mid-September article and interviews on the permanent US business closures (<https://cnb.cx/3kqCeem>), it gets back to this morning's very much weaker than expected US Employment report. That was on so many levels, we will limit

ourselves to the major indications, and you can see the official BLS release (<https://bit.ly/30rBCNQ>) if you would like more details.

That said, the headline Nonfarm Payrolls rise by 661,00 was versus an estimate of plus 875,000 with the Participation Rate falling to 61.4% from 61.7%. The latter is of concern in the context of people who have given up looking for work, which might have been a major (unconstructive) contributor to the Unemployment Rate falling to 7.9% (all from the Establishment Survey.) Millions dropping out of the workforce artificially lowers that number, yet with negative overall implications.

And monthly Hourly Earnings only rose 0.1% versus a +0.4% expectation. The modest silver lining is 877,000 private sector jobs were added, speaking of a certain amount of government job losses adding to the jobs weakness (most likely linked to winding down of the census after the early year hiring.)

Yet, on balance it was a disappointing report, in line with the caution we had provided on the nature of the 'month' Employment reports not really being for that month. See Tuesday's *"'Risk On' Revival into US Presidential Debate(??)"* ALERT!! for the revisit to last week's discussion of how it is actually a mid-month into the previous mid-month reading. As noted, *"This is because it will be the mid-August through mid-September data. It is the first monthly period that represents the activity after the previous supplemental \$600/week unemployment benefit lapsed on July 31st."* And that seems to be just what we have received.

That is of course also in the context of the lack of any further COVID-19 relief coming from the US Congress. As also noted in Thursday's *"'Risk On' Follies"* ALERT!!, *"All of the 'happy talk' emanating from both Speaker Pelosi and Treasury Secretary Mnuchin on still being willing to work toward a compromise is folderol. Both Democratic leaders and the Trump administration are attempting to appear extremely accommodative."*

"Yet their positions haven't changed to any significant degree. Trump knows Senate Republicans will not tolerate any spending above \$1.0 trillion..., and the Democrats lower request was based on shortening the time frame... basically no pro rata change from their original \$3.0+ trillion request. This means there is not going to be a 'Heroes Act' (as the next package is now nominally known.)"

So that hoped for 'temporary' economic weakness will surely worsen as business closures and layoffs become 'permanent'. That will only be exacerbated by continued resilience of the pandemic in Western countries where a significant portion of their populations refuse to follow COVID-19 suppression protocols.

Yet the market responses are fairly bizarre to this point. While the US equities have weakened, they held the next lower interim December S&P 500 future 3,300 area technical support. Of course, that is after a failure from up near the more prominent 3,400 area resistance, as might have been expected in any event.

Yet the other asset classes are seeing nominal softness in recently already weak global govies. And emerging currencies are mildly extending recent strength, even if developed currencies seem 'stuck' in key technical areas versus the US dollar for now. While that is curious in light of the weak US Employment report, that will be more important when we see how price swings evolve into next week.

Courtesy Repeat of Thursday's critical consideration

The front month S&P 500 future pushing out of the broad higher range top in the 3,030-2,970 area in early June was the key to it surging to the 3,200 area. That was the next meaningful higher resistance with a 3,230 Tolerance at which it failed previously on the rally (as is clear on the weekly chart <https://bit.ly/2GiNQB1> updated through Friday.) Yet it also pushed above that out of late July.

This opened the door to a retest of the February's 3,397.50 front month future all-time high. And after such a major rally back from the February-March debacle, it was hard to imagine the old February all-time high could prevent the front month S&P 500 future from at least taking a look above 3,397.50; and that then transpired on the late August push above it into the low 3,500 area.

Aside from the sheer magnitude of the selloff in the first week of September, it was important as a technical pattern top. With such a significant rally above the previous week's 3,504.50 Close, the drop well below it established a major DOWN Closing Price Reversal (CPR). Along with the topping line, that is now the key higher resistance on any sizable recovery from lower support.

The next significant support after it traded below the February 3,397.50 previous all-time high looks like the 3,230-00 range we had previous highlighted as rally resistance into early June. On the recent attempt to stabilize at no worse than the 3,300 area, the market exhibited a couple of less than credible pattern bottoms with key failures in the 3,400 area (see our September 18th ALERT!! for a full discussion and Evolutionary Trend View fully annotated chart analysis.)

The latest of those saw a lackluster 3,400 area UP Break early Tuesday September 15th that failed in the wake of key macro factors. That suggested a previous 3,295 trading low of the selloff would be violated, as occurred late two weeks ago into lower ground. Follow-through after that Friday's temporary trading below 3,295 has seen the downtrend extend all the way to multiple tests of the 3,230-00 range last week, with a Tolerance to 3,185. Near-term resistance in the low-3,300 area has now been exceeded, with the more prominent resistance up in the 3,400 area (February high and recent failures), and support reinforced in the 3,230-00 area.

Thanks for your interest.

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