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ROHR ALERT!! Trump Relief?

1 message

ROHR Alert <rohralert@gmail.com> Mon, Oct 5, 2020 at 11:14 AM
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Dear Subscribers,
As noted in Friday's 'Trump Positive and Employment Negative' ALERT!!, we assume all Americans (even those who dislike him) wish the President and First Lady a speedy and full recovery. Based on public presence, it seems while the President is more vulnerable considering his health and weight, he has indeed fared well so far. In this case there is a question over whether that is the response to advanced drugs, or whether he is actually naturally quickly recovering?

While there was an early extreme US equities selloff Friday morning, it stabilized on the news that Trump seemed to be responding to the advanced therapeutics he was given. This raises several political questions that present some passing influence on the markets. In the first instance, were US equities falling simply on sheer uncertainty associated with presidential illness? Or was there electoral concern on the advantage for VP Biden and his less business friendly agenda?

This is an imponderable. Among the myriad other permutations of this situation (including no small number of conspiracy theories) is the public response to the Trump COVID-19 infection and its near-term aftermath. For folks who like Trump, his seeming lack of more serious complications so far seems to vindicate his previous downplaying of COVID-19 implications. Hey, see, it's all fine.

On the other hand, recent polls indicate lack of approval of Trump's handling of the COVID-19 pandemic. Roughly 75% of Americans think he could have done a better job. While not playing out loudly in the media, there is also some anger over the administration response. With the positive COVID-19 infection tests of many Republican legislators and administration officials, there is a sudden rush to more aggressive infection testing… and heretofore absent contact tracing.

The lack of both the former and especially the latter for the general US population back in March and beyond is considered one of the key drivers of the massive US COVID-19 pandemic spread. Yet now that the President and his acolytes are in the crosshairs of the pandemic spread, it is suddenly a very good idea to both test and quarantine… even if it might affect their late-term pre-election agenda.

Then there are the treatments the President is receiving. These include both an established anti-inflammatory, yet also an as yet unapproved Regeneron antibody cocktail that is obviously not available to the general public. For his supporters this is the brave President willing to take experimental drugs which also may help others in future. For his critics this is another episode of Trump taking advantage of things which the average person cannot access at any price.

In an interesting CNBC interview (https://cnb.cx/3iuJzrH) this morning, former FDA head Dr. Scott Gottlieb reiterated the urgent need for universal masking and selective shutdowns

that the Trump administration has worked against for many months, regardless of paying lip service to them; and also always stressing it is an 'individual liberty' choice. Gottlieb is for selective mitigation, yet points out the potential for major death and suffering in the highest 'community spread' areas.

He notes that the entire Pacific Rim, also including Australia and New Zealand, have fewer than 1,000 new infections reported each day. He further points up the degree to which mask wearing has been politicized as that 'individual liberty' issue in Western democracies. In response to Joe Kernen pointing out that the US could never quarantine in the same manner as Communist China, he notes that it is not a matter of total shutdowns, but rather 'cultural acceptance'.

Possibly Asia's harsher experience with SARS, or just a more culturally unified vision of how to respond, is at work. But as long as US leadership (for instance) both demands schools and businesses reopen yet fail to lead on the importance of masks, the likelihood of a major second wave this Fall-Winter is very high.

And that gets back to the business implications we have been anticipating for many months. It is not a matter of government dictated shutdowns in specific states and localities. It is far more so the lack of willingness to accept extreme risks by the US population; especially the most vulnerable. We have already discussed at length the travails of the US airlines (volumes down by 70%) that just enacted major post-October 1st layoffs. It's the same internationally.

This is also the case for smaller restaurants and chains, the hospitality industry, and all of the suppliers to all of those businesses. The next shoe to fall just hit today in the form of Cineworld closing all of its US and UK theaters with the loss of 45,000 jobs (see this Reuters report https://reut.rs/2GhMcjO for more.) It is simply a liquidity preservation strategy in the face of sustained lack of volumes.

Regarding the loss of employment for support industries, Cineworld confirms this "...*affects thousands of ancillary staff including cleaners and security as well as its own employees*." There is a pernicious ripple effect on all of these closures which goes beyond the headline numbers. Cineworld blaming the delay of new releases (especially the next James Bond film) is also a concern for other theater chains, yet does not capture the real crux of the matter for the broader economy.

As Hargreaves Lansdown analyst Susannah Streeter says in the Reuters article, "*Although the delay of the latest 007 blockbuster prompted the decision, Bond isn't the villain in this piece. The spread of COVID-19 around the world has been a horror movie for the industry and the fresh wave of infections is the latest installment in what's been a devastating story for cinema chains*." Besides the commercial product situation, public fears loom large into Fall and Winter.

That is also in the absence of further US government support that does not seem to be forthcoming. While we continue to hear soothing noises from US Treasury Secretary Mnuchin and House Speaker Pelosi, serious doubts remain over the ability to convince Senate Republicans anywhere near the level of spending they are discussing is necessary. That is now despite the previously absent President strongly encouraging the drive for relief he knows will affect the election results.

Lack of support for municipalities and states is beginning to bite in the form of sizable layoffs. That will exacerbate the weak employment situation highlighted in the undershoot

in Friday's Nonfarm Payrolls number into this month.

Yet for now the US equities and other currencies against the US dollar remain strong on Trump's nominal recovery (even if pharmaceutically assisted) and that prospect of US COVID-19 relief package infusion of a 'risk on' psychology. That is despite difficulties with Senate acquiescence in Mnuchin-Pelosi negotiations.

So it is back to wondering whether the December S&P 500 future which held the interim 3,300 support outright on Friday morning's sharp selloff will be able to surmount the more formidable 3,400 area resistance (old February all-time high and more recent UP Break failures from early-mid September.) There is also the issue of the pressure on global govvies over the past several weeks, yet only now dropping them back to the top end of key lower supports after previous rallies on the US equities weakness. Only the UK Gilt is back to the key 135.00 area, which makes the US equities decision on continued 'risk on' or not very important.

Another Courtesy Repeat of Thursday's critical consideration
[Due to technical difficulties, a full update needs to wait for Tuesday's ALERT!!]
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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