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**ROHR ALERT!! Political Dynamic Likely Impacting Markets**

1 message

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**Dear Subscribers,**

**Various factors are continuing to favor VP Biden's Presidential ambitions, which now includes ex-President Obama's scathing attack on President Trump in his first public speech in years on Wednesday. While many questioned why Obama did not come out with a public endorsement of his VP sooner, the tactical wisdom of keeping this 'big gun' in reserve until late in the campaign is now apparent. And once again, this is more so a *realpolitik* overview than a political statement.**

**Timing Obama's strong statements (<https://cnn.it/37vszzD>) on Biden's attractions and Trump's failures until just prior to the election seems to be working. And now that he is back in the public eye, expect more. The Biden advisors reasonably suspect that Obama can motivate a minority vote to come out for Biden in a way they did not in 2016 or 2018. Yet the degree to which multiple Obama speeches are even necessary will be based on how his speech affected President Trump.**

**The question is whether the aggressive criticism from an Obama who has been virtually silent since the 2016 election has piqued the President? Will Trump feel it is necessary to defend himself in his debate with Biden tonight? If so, it could drag his performance into a tit-for-tat criticism session, which includes his recent resurrection of charges that Biden and his son Hunter are extremely corrupt.**

**Of course, this is exactly what his advisors desperately want him to studiously avoid, and rather focus on his pre-pandemic economic success. After Trump's attempt to rattle Biden with incessant interruptions in the first debate failed, his advisors hope he has learned to be a bit less aggressive. However, if Biden can pique Trump by bringing up his failures on various fronts, it is more likely that Trump will once again launch into aggressive retorts and counter-criticisms rather than focus on how he plans to assist Americans in a second term.**

**All of which will suit the Democrats just fine. And there is that other factor of the still delayed US government COVID-19 stimulus/relief package, with negotiations critical into next week. As reviewed in Wednesday's 'Like a Stradivarius' ALERT!!, the criticism that House Democrats' stubborn resistance to a compromise which looks so close is "*holding the practical hostage to the perfect*" is just not so. It is more so virtuoso Pelosi indeed playing the other side 'like a Stradivarius'.**

**Yet the question is what all of this means for markets where it appears some of the classical intermarket tendencies seem to have become unhinged? With US equities weakness signaling potential for more 'risk off' psychology, why have the global govies been under more pressure than might have been expected?**

**And in the context of that tacit US equities 'risk off' indication, why are both the developed currencies and emerging currencies gaining markedly against a US dollar that might**

normally be attracting a 'haven' bid? Good questions, which seem to have only one unified answer: Fear of a major Democratic sweep in the US general election a week from Tuesday is the only 'neat' explanation.

Concerns over accelerated profligacy is a psychology that explains both the weakness of the global govies as well as the greenback. The dichotomy between current Democratic and Republican stimulus/relief package size and application seems to have been taken as a sign of what to expect in the case of a Democratic sweep of the White House and Congress. Is this appropriate into a still extremely problematic Senate result? Probably not, yet something markets must discount.

*"The market (which is to say equities) is a creature of expectations"* is one of those old axioms we always stress in assessing why the market is moving now despite some of the current economic data. That is certainly true today on the continued US equities weakness in the face of much better than expected US Weekly Initial and Continuing Unemployment Claims. That said, it is relatively minor and also 'rearview mirror' data into what may be a major sea change.

There is also the degree to which Speaker Pelosi plays her hand as expertly as we suspect into next week, as already reviewed in detail in Wednesday's ALERT!! That would mean more US equities angst late this week into early next, yet with the potential for a sharp bear squeeze once a definitive agreement is announced. While we cannot know how much farther any near-term US equities selloff might proceed in the near-term, the more it drops the more we suspect President Trump will push Secretary Mnuchin to further increase their proposed spending level in order to reach agreement at any cost with Speaker Pelosi and the Democrats.

There is also the degree to which we suspect Speaker Pelosi will accept whatever agreement is on the table into the early-mid part of next week in order to 'set the cat loose among the (Republican) canaries'. Given the wide gap between the Mnuchin-Trump-Pelosi position and far more parsimonious Senate Republicans, that will be the trigger for an internal Republican battle on the eve of the election.

And the general impression will then shift from why are the Democrats *"holding the practical hostage to the perfect"* to why the Senate Republicans cannot bring themselves to support more generous public support? That is in the face of what is a worsening pandemic and its major economic consequences for so many Americans already... with more suffering in store without additional support that even the central bank is now just about demanding (<https://reut.rs/31uD8zb>.)

Contingent on tonight's Trump and Biden debate performances as well, if that US stimulus/relief package scenario works out as we expect it will further enhance the potential for Democratic success on November 3rd. Therein lays the current market angst driving the seemingly atypical intermarket tendencies. We suggest a read of Wednesday's ALERT!! for anyone who has not done so already.

Courtesy Repeat of Wednesday'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/31IF3pG> 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) with a 3,510 Tolerance. Along with the 3,540 topping line, that is now key resistance after a recent 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.)**

**Yet it held that 3,230-00 area once again. And now finally surging back above the 3,400-30 area leaves a burden of proof on the bears to get the market to fail back below that area. In the meantime, whether the December S&P 500 future can post serial weekly Closes above first 3,505-10 and ultimately the 3,540 area will decide if it is indeed again 'Risk On' Forever. The only nominal resistance above that is the early September 3,587 front month S&P 500 future all-time trading high. And the key lower level is the 3,475 near-term congestion below the low-3,500 area.**

**Thanks for your interest.**

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