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ROHR ALERT!! Decisive Debate

1 message

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Dear Subscribers,

Many might consider that a bit assumptive after Thursday night's Trump-Biden presidential debate (<https://bit.ly/3kojbBF>) was considered a draw. The received wisdom is that Mr. Trump had a much better night than his erratic, pugnacious earlier debate performance. However, Biden also had at least a good night.

And that is a problem for Trump, who needed Joe Biden to have a 'bad' night to weaken Biden's opinion poll leads. Short of that, and allowing for any surprises in the last eleven days of the campaigns prior to the November 3rd election, the abiding perspective is that Biden will most likely win by at least a narrow margin.

This means our Thursday 'Political Dynamic Likely Impacting Markets' ALERT!! title and attendant assessment still holds into the near-term future. To cut directly to the market chase at this critical juncture, this means there is now a distinct disconnect from the typical intermarket tendencies. As noted in yesterday's summary comment on this, "*Concerns over accelerated profligacy (under a Democratic regime) is a psychology that explains both the weakness of the global govies as well as the greenback.*" That is a very unusual Evolutionary Trend View (ETV) in the context of recent US equities weakness, which might normally signal more of a 'risk off' near-term psychology with opposite effect elsewhere.

However, it is more so typical 'anticipatory' psychology than actual expanded US government spending under a Democratic regime. That said (and as we have noted many times), "*The market is a creature of expectations.*" While we normally specify that applies more so to the equities, it seems to be the case now for the global govies and US dollar as well. On pure anticipation into a major political sea change, that is reasonable regardless of how things actually turn out.

While Biden may indeed capture the Presidency, there are all manner of major political permutations which will (very typically) impact what is actually passed into law in a Biden-Harris administration. The first is whether the Democrats also wrest control of the Senate from Republicans, which is a real possibility. If not, then any of the more radical Democratic plans become far more problematic.

However, even if the Democrats manage to get control of the Senate, there are intra-party considerations which mitigate any of the more radical spending plans. In the first instance, the Democrats only regained control of the US House of Representatives in the 2018 election (after eight years of Republican control) based on running 'moderate' candidates in 'purple' (evenly split) districts.

In the context of the entire House needing to run for reelection every two years, those folks are not going to be inclined to vote for any overly radical spending plans that would upset their constituents. So while the Progressive Left 'bomb throwers' get a lot of the headlines in the excitement-driven media, the average Democratic representative in the House (where

all spending bills must originate) is far less inclined to vote for rushed, shoddy, expensive legislation.

As such, the market anticipation of what may occur under a Biden-Harris (the latter having the most liberal voting record in the Senate) administration could easily be overblown compared to what actually transpires into 2021 and beyond. It is almost always the case any program plans get watered down on the way to becoming actual legislation on the President's desk. This is likely the same now.

Of course, this is also with continued expectations the US Congress will finally pass a COVID-19 stimulus/relief package at some point. The next inflection point there may possibly be Speaker Pelosi finally agreeing a deal with Trump and Mnuchin into next week. While many are skeptical it will now happen that quickly, please see our Wednesday 'Like a Stradivarius' ALERT!! for more perspective on Pelosi's possible tactical political timing on next week being a good window.

Along the way the COVID-19 news is still a potential burden for the near term US and European economic picture. In addition to the strongly resurgent European pandemic spread (clearly the feared Fall-Winter Phase II after very good previous improvement), the US logged a record high 77,640 new infections on Thursday. And that is within a seemingly accelerating trend. As such, President Trump's "*turning the corner*" on the US pandemic seems more than a little bit misguided. That is even as he has another nine mass rallies planned prior to the election.

On the other hand, Gilead Science's COVID-19 drug Remdesivir was approved by the FDA as a COVID-19 therapeutic for adults suffering enough with the disease to require hospitalization. Yet it is only available to that population in hospital by intravenous injection. As such, it still doesn't provide much comfort to those in the vulnerable population (or the general population) who remain skeptical of engaging in public gathering and commerce. We stick within our previous idea of the pressure on areas of the economies dependent requiring public exposure will be less from government lockdowns, and more so from rightful trepidation.

And also once again, this favors the large online communication companies and retailers who are represented in the major stock indices while not reflecting the pressure on all manner of smaller Main Street businesses. Once again, none of this is a political comment, as it just seems to be a necessary part of the market assessment at this point. Therefore, if there is any US government stimulus/relief package agreed anytime soon, it will almost surely buoy the US equities.

Yet in that same vein of government spending supporting consumer spending which has already been more robust than expected during an extended COVID-19 pandemic, it could also weigh further on both global govies and the US dollar.

Another 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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