



Alan Rohrbach &lt;ar.rohr.intl@gmail.com&gt;

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**ROHR ALERT!! 'Blue Wave' Crashes on Rocks of Reality**

1 message

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**ROHR Alert** <rohralert@gmail.com>  
Bcc: ar.rohr.intl@gmail.com

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**Dear Subscribers,**

**Given the intensity of the partial US election results and the politico-economic stakes, we are compelled to begin by repeating our regular disclaimer: None of this is a political statement on our part. We only want to share the *realpolitik* of the situation, especially with non-US clients. We are neutral on prospects for any candidate, and focused on the market impact. That said, the broader reality that seems to have come home to roost is something we are even hearing Liberals discussing this morning: At heart America is still a Center-Right country, and the Progressive Left scares them. Trump clearly knows how to capitalize on that.**

**And since Tuesday's market activity seemed to anticipate not just a Biden victory but also a significant Democratic 'Blue Wave' dominating the US Congress, much has changed on the underperformance of Democratic Senate candidates. For now it appears to be the case that the Republicans under Leader Mitch McConnell will still control the Senate. A very good Reuters article (<https://reut.rs/3enng6Z>), which was updated early morning, concisely summarizes those developments.**

**And even prior to discussing the Presidential race evolution, it is very important to note a very important market development based on the 'Blue Wave' having fizzled into a minor ripple. That is the obvious reversal of the weakness of global govies and recent US dollar selloff. As noted in Tuesday's 'Election Reflections' ALERT!!, "*Note the return of weakness to the global govies (December T-note future down to the low end of 138-16/-00)...*" Well, with the now sustained Senate buffer against any Brobdingnagian Democratic stimulus/relief, that has changed.**

**That has seen the December T-note future rally back from overnight slippage slightly below the 138-16/-00 range up to near 139-00 once again. While the more significant resistance is up into the previously noted 139-20/-24 range, recovery from 138-00 is also critical based on it being the trend decisive weekly MA-41.**

**As far as Tuesday's noted... "*...weakness of the US Dollar Index (dropping back from the key low-94.00 area)*", that also reversed markedly once the 'Blue Wave' became suspect Tuesday evening, with a rally back to almost exactly to 94.30. However, the subsequent understanding that a deadlocked US government may not be good for any necessary reforms brought the greenback under pressure this morning. That may also be on prospects for some form of stimulus/relief being more likely on compromise, even if not the major spend Democrats desire.**

**Also of note on the broader analysis is the Evolutionary Trend View market price swing management implications: In a nutshell, know your levels. In the time between the US markets Regular Trading Hours Close Tuesday and this morning the December S&P 500 future continued its rally up to 3,430 Tuesday evening, was upset enough to drop to the top**

end of the 3,330-00 range into 02:00 EST, and has now pushed back up to the top end of 3,400-30 again this morning.

We assume this is also on the back of the perception that the US will continue to have a divided government, which will have much less latitude to pursue policies which are upsetting for many businesses. That is not just the recently disparaged high tech firms, but also areas like health care providers. Yet the real issue for short-term position finesse is to pay attention to technically important levels.

As for the final result of the US Presidential race, much remains in flux. Yet as an American I declare the election a success regardless of which candidate wins. That is on the basis of the 'process', which was a major radical late 18th century innovation at the heart of American democracy, continuing to work.

The idea there could be a quadrennial 'peaceful revolution' cycle was roundly disparaged by many at that time (especially of course the monarchists.) Yet here we are over two centuries later demonstrating its durability. There was no polling place violence and mail-in ballots continue to be counted in key states. In fact, the race is still in flux in a range of the key 'battleground' states after the previous results were evenly divided. Rather than bloat the analysis with their full names, their abbreviations are GA, AZ, NV, NC and most importantly PA, MI and WI.

This very recently updated Reuters article (<https://reut.rs/3enHYUh>) has the full breakdown, and will likely be updated further across time. The point is that the principle of "one person, one vote" is being tested, especially considering the voter turnout has been a heartening surge to 159.8 million votes, with the highest voter percentage turnout since 1900. The prolonged process of counting so many mail-in ballots requires the patience we counselled on Tuesday, and is a sign the system is working. The one question is over Trump's legalistic approach...

...after he prematurely declared victory early Wednesday morning, and requested that the vote counting cease. That was due to his lead in some key states where the mail-in ballots are already, and will likely continue, favoring challenger Biden. To wit, *"We were getting ready to win this election. Frankly, we did win this election," he said, before launching an extraordinary attack on the electoral process by a sitting president. 'This is a major fraud on our nation. We want the law to be used in a proper manner. So we'll be going to the U.S. Supreme Court. We want all voting to stop.'*" Going to the Supreme Court? With what?

There would need to be specific allegations of fraud based on evidence that is not yet in any way available for assessment... at least not until the voter count is complete, and someone raises an issue over some sort of fraud. This is more so wishful thinking on Trump's part that he feels he will do better in court if the overt vote is not in his favor. And there is also the delaying tactic 'gambit' which could delay any official result into a decision by the US government. For anyone who has not already reviewed this, please see Tuesday's ALERT!! for a full repeat of our September 30th analysis that includes the specifics of those contingencies.

In the meantime it seems the markets continue to trade on the indecision of the Presidential race while the Democratic 'Blue Wave' has fizzled. The continued US 'split government' view favors US equities as 'business as usual' will continue without any major disruption of financial services, high tech or healthcare. Yet it also the case that the Senate acting as a modulator of the feared Brobdingnagian Democratic Party spending plans is good for the global govies. The US dollar will continue to weaken under the auspices of some lesser

**form of US COVID-19 stimulus/relief coming through, due to Democrats now needing to compromise.**

**This is the 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/3jOJRKD> updated through Friday, October 30.) Yet it also pushed above it 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 recently 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 3,550 area will decide if it is indeed again 'Risk On' Forever. After violating the key 3,380 Tolerance of the 3,400 area (now including weekly [MA-9](#) & [MA-13](#)) it also traded below 3,280.**

**That was important as the Tolerance of the interim 3,330-00 range. Yet it held brief tests of the far more major 3,230-00 area heavy congestion support, and then had an impressive rebound back above 3,300-30 once again on election day. Now also trading above the 3,400-30 area is confirmation of our estimation the US election would be a win-win for US equities. The next area to watch is the early September 3,505 DOWN Closing Price Reversal, with additional resistance into the mid 3,500 area of the major weekly topping line and ultimate weekly Oscillator levels.**

**Thanks for your interest.**

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**Contact:** [rohralert@gmail.com](mailto:rohralert@gmail.com)

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