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ROHR ALERT!! Ready for Recounts?

1 message

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Dear Subscribers,

It is beginning to appear that Thursday's 'And On It Goes' ALERT!! title should possibly have been 'And On, And On, And On It Goes'. In very interesting yet not totally surprising developments based on the extended counting of the massive number of mail-in ballots this year, the Biden-Harris ticket took the lead overnight in Georgia. This morning it also squeaked out a razor thin edge in Pennsylvania.

Of course, that is based on the returns from highly Liberal metropolitan centers like Atlanta and Philadelphia. Also not surprisingly President Trump is howling 'fraud', his popular minions are acting up around the associated vote canvassing centers, and (most important) his legal teams are moving into aggressive action.

While many folks are pointing out that the number of perceived fraudulent ballots are not likely significant, the Team Trump lawyers are still mounting challenges, especially in key battleground states like those noted above. Yet much of that may be redundant in consideration of many of those states allowing for recounts as a matter of course if the margin of victory is very slim. That would tend to be in the range of between 0.5% and 1.0%. While that is not 'automatic', there is little doubt Team Trump will be requesting those recounts in highly contested states.

In fact, it already looks like the Biden-Harris margin of victory in Wisconsin is slim enough to allow the Trump folks to request a recount. The specifics of how long that might take are a bit convoluted, including a three day wait after the vote canvas has been officially completed... which is not the case as yet. Along with other deadlines, this means the Wisconsin process to declare an official US presidential race winner will stretch out into Thanksgiving. For more on those specifics, see an excellent Ballotpedia explanation (<https://bit.ly/32ivCYJ>.)

Considering this will also likely be the case beyond any of the likely less than effective Team Trump legal maneuvers, it may be weeks before there is a full decision in that race. That is in addition to the important Senate races that are degenerating into runoffs as late as early January... beyond the date when the new Congress is scheduled to be seated. And that is likely more important for the markets than even the presidential race. Quite a bit of the constructive economic outlook from the election is based on Republicans (some would say surprisingly) holding onto control of the Senate, which still appears likely to remain the case.

We will have more to say next week on the Congressional politics as it relates to those runoff elections and the timing of US government COVID-19 stimulus/relief packages, which have been such a bone of contention. In the meantime the slightly better than expected US Employment report (638,00 jobs added versus a 600,000 estimate and the Unemployment Rate falling below 7.0%) seems to have rescued the US equities to some degree from some greater overnight weakness.

Not surprisingly, this has also weighed a bit on the global govies that have been so buoyant since Wednesday in the wake of the Democratic 'Blue Wave' failing to take control of the US Senate (i.e. less fiscal profligacy.) It is also weighing on the US dollar, which is down to critical technical support (US Dollar Index into the low end of the 92.50-24 range, much below which the next support is 91.00-90.50.)

That said, something has slipped into the background of late due to the intense election focus which remains a 'macro' concern: the still aggressive spread of the COVID-19 pandemic, which saw a new high number of US infections on Thursday. That was astoundingly above 120,000, shocking even most extreme pessimists.

However, in the face of the US Senate political developments and relatively strong economic data and corporate earnings, it is a good question when that will come back to affect the markets. It will likely take some sign the pandemic is affecting consumer spending. Yet that may be offset in the near-term by the anticipation and then the fact of a US government stimulus/relief package passing Congress.

At the very least, if another round of pure stimulus checks were to be distributed on the order of April's \$1,200 to anyone who had a pulse, it would immediately underpin consumer spending. Yet whether the relief will be sent very timely or possibly be delayed into the end of the year (as Senate Leader McConnell has so far indicated) could make a difference in the short term. We will be revisiting the *realpolitik* of the calculus behind the timing of the relief next week. We shall see.

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/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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