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ROHR ALERT!! Better and Better Between Worse and Worse

1 message

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[Reposted after earlier technical problem]**Dear Subscribers,**

The difference for markets is that the 'Better and Better' is the extended forward view, while the 'Worse and Worse' is on a relatively near-term outlook. Of course, all of this relates back to the current rampant COVID-19 pandemic in both the US and Europe, yet with more heartening news on the future ultimate address of this health and economic scourge: more widely available vaccines against COVID-19.

There is also the US political front to consider as a modulator of good vaccine news (see Monday's 'More Vaccine Joy...' ALERT!! for more on the Moderna announcement.) And we apologize for the lack of an ALERT!! on Tuesday, as we were waiting for disposition of a key lawsuit based on Trump campaign claims of fraud, or at least 'inequity' (more below.) However, the US judge has requested written filings that are due in nearby coming days prior to making his decision.

In the meantime the COVID-19 vaccine news is getting 'Better and Better', as the Pfizer follow-on to announcement of 'over 90% effective' early trial performance of their vaccine last week Monday is that the final figure is in fact around 95%... much the same as Monday's Moderna information on their vaccine. And while we will also touch on the bad news below, this is what has rescued the US equities from overnight weakness into this morning. Yet that did not threaten the up trend.

In the event, both of the past couple of morning's December S&P 500 future selloffs held the early-September front month S&P 500 future 3,587 high, with congestion into 3,575 area. And in both cases this week, the good news assisted with a push back above the 3,600 area. Unless some factor forces it back below that lower 3,575 interim congestion, it is likely headed higher. As noted previous, the violation of early September's 3,505-10 DOWN Closing Price Reversal points to a likely extension to the 3,750-3,800 area before it is 'overextended' again.

This also informs our view of the other asset classes, even as the global govies recover on the near-term 'worse' news of the further sharp pandemic spread. However, that is not a key factor in its own right, but rather related to the highly predictable enforcement of more stringent economic restrictions by local governments in the US and national governments elsewhere. Yet at present the global govies are only back up into congestion ranges which they had failed below on last week Monday's Pfizer vaccine news. The jury is still out.

That said, the US dollar is weakening versus even the other developed currencies while emerging currencies are maintaining their overall recent impressive gains despite some

minor slippage out of early last week into early this week. It is of note that the weakening against other developed currencies is coming during the COVID-19 vaccine developments. In fact, the US Dollar Index is back down near the key 92.50-.24 congestion, against which it managed to hold both in August and again at various points from mid-October through as late as last week.

Any significant violation of that area on a weekly Close would indicate a potential to slump to much lower ground. This might speak of the distrust of the US in the context of continued election disarray on continued lack of future clarity. Between the much delayed, yet surely more aggressive once it occurs, COVID-19 relief spending, and the very unsettled political climate, the sentiment toward the US is likely rightfully skeptical. While we mostly use it in reference to US equities, the old adage also conforms to the current anticipation for the US dollar as well:

“The market dislikes nothing quite so much as uncertainty.” During an interview this morning on this stores’ outperformance, there was an interesting quote from Target CEO Brian Cornell regarding US consumer psychology into the holidays, *“If I could package up ‘certainty’, it would be the #1 selling item at Target.”* And we are 100% sure the first folks in line to buy it would be traders and investors.

And it is that uncertainty due to the deterioration of the near-term news on the pandemic likely overwhelming parts of the US healthcare system (as well as many others on the lack of enough ICU beds and staff) against the rightfully upbeat intermediate-term future outlook which leaves the markets (as noted in last week Tuesday’s ALERT!! title) ‘On the Yin-Yang’. As such, we can expect more short-term volatility, yet with the current trends remaining in force.

The ‘better’ news this morning also includes the return to service of the Boeing 737 MAX after a 20-month suspension in the wake of two disastrous crashes. However, it is of course ironic that this should come at a time when the COVID-19 pandemic has so depressed air travel... especially business travel that is a core profit center for the airlines. Nonetheless, the news is good for Boeing, pending the degree to which travelers are inclined to fly on that aircraft. In its favor is the head of the FAA saying that he would fly on it, and put his family on the planes.

With that it is back to the confusing and somewhat depressing US political scene. You likely do not need us to tell you President Trump has still refused to concede his election loss. And many Republicans are sticking with him. That is both on technical grounds of the continuing Team Trump legal challenges, and also their fear of being disparaged by Trump in the context of his still loyal large voter base. However, on the legal front the potential for Trump to overturn the election result continues to narrow, and seems unlikely on any outright voting fraud claims.

As such, the legal maneuvers are shifting into challenging the certification of the vote in various states based on more “distended” claims. Given both the number of electoral votes in Pennsylvania (which provided Biden the nominal electoral vote margin of victory back on November 5th) and the degree to which it might establish a precedent that could be used in other states, the current suit in US federal court there is likely a last Trump bulwark against confirmed Biden victory.

According to a very good, concise Reuters article (<https://reut.rs/38PeCNH>), US District Judge Matthew Brann in Williamsport Pennsylvania “...appeared skeptical of President Donald Trump’s request to block (Pennsylvania state) officials from certifying President-

elect Joe Biden's victory in Pennsylvania..." in part because that would invalidate all 6.8 million votes in the entire state. early September's 3,505-10 DOWN Closing Price Reversal

While more extensive to begin with, the Trump suit had backed down into an "...*allegation that some voters were improperly allowed to fix ballots that had been rejected due to technical errors...*" However, those procedures are managed at the county level. Republican county voting officials had the exact same power to review and 'cure' deficient mail-in votes as their Democratic counterparts, yet chose not to do so. This being grounds to the block certification of the entire Pennsylvania vote on November 23rd seems more than a bit far-fetched.

And if that case goes against Team Trump, it might act as a focal point for the Republican Party to move to a more accommodative stance on information sharing with the Biden-Harris transition team. Of note on November 23rd, that is also the date Michigan (another key nominal Biden victory) is due to certify its election results. That looked in doubt for a couple of hours Tuesday evening when two Republican voting officials contested the Democratic attempt to certify Wayne county... which includes heavily Democratic Detroit that is essential in Biden's win there. Yet by only several hours later, the Republicans relented.

The recent and sustained current Team Trump legal efforts seem only to be able to accomplish one key goal: Delay. In his business dealings Trump has used the courts previous to delay various actions against him as part of wearing down his opponents, and is possibly hoping that will accomplish his goal here. That would be throwing the election into a vote in the House, where the Republicans control more state delegations. So despite the Democratic House majority, each state getting one vote in a presidential vote there would mean Trump victory. (For much much more on the specific timetable for that, please see our September 30th 'Tie Goes to the Challenger' ALERT!!, with links to key informative external content.)

Given the Biden-Harris victory seemingly almost assured, and markets already likely trading on that assumption, why should any of this be relevant for market participants? That is because of the Trump administration refusal to cooperate with the incoming administration's transition team. Even the medical profession (along with the intelligence community and defense department) has weighed in heavily on this (see Reuters article <https://reut.rs/36P9WFb>), as the pandemic response along with national defense issues need to be urgently addressed.

Therefore, the reason the Pennsylvania federal suit is so important is its role as a watershed from which enough Republicans might break from a President they fear to support providing information to the Biden transition team. The market influence will likely be that is seen as further 'better' news on intermediate-term considerations. That would likely also support US equities while weighing to a degree on the global govies, and possibly pressuring the US dollar. The latter would be on any sign of Republican cooperation increasing the chances for some sort of US government stimulus/relief spending sooner than currently expected.

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/38PO6E1> updated through last week Monday.) 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 was key resistance after the mid-October recovery from lower support.

The next significant support after it traded below the February 3,397.50 previous all-time high looked like the 3,230-00 range we had previous highlighted as rally resistance into early June. On the early September attempt to stabilize 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 left 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 posting weekly Closes above first 3,505-10 and ultimately the 3,550 area looks like it is indeed again 'Risk On' Forever. This is confirmation of our estimation the US election would be a win-win for US equities, with the key accelerated bullish influence from serial positive vaccine news across the past couple of weeks.

The near-term question is whether it can hold the near-term support around the early-September 3,587 trading high, with a Tolerance to recent 3,575 congestion? If so, it points to a likely extension above the early September's 3,505-10 DOWN Closing Price Reversal to the 3,750-3,800 area before it is 'overextended' again.

Thanks for your interest.

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