



Alan Rohrbach <ar.rohr.intl@gmail.com>

ROHR ALERT!! Back to the COVID-19 'Yin'

1 message

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

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Dear Subscribers,

Despite Wednesday's US equities selloff, the overall Evolutionary Trend View (ETV) remains much the same in an overall 'risk on' psychology. Even as we return to the 'yin' (darkness) of COVID-19 infection spread economic restrictions, US equities selloff below near-term support (more below) is very orderly. That is typically a sign that any selloff is a reaction in an ongoing bullish trend. As such, we are more likely still 'On the Yin-Yang' (see last Tuesday's ALERT!! for a more extensive description of that) rather than having seen an overall trend top.

On an intermarket performance perspective, this is reinforced by a still partial recovery of global govies back up into resistance (i.e. violated support ranges.) The continued resilience of the emerging currencies after their recent strong rally stalled again earlier this week remains another sign of continued optimism. It's as highlighted in later Wednesday's 'Better and Better Between Worse and Worse' ALERT!! observations. Just right now the 'Worse' is back to being so bad it can derail the upbeat vaccine expectations for next year. Yet 'Better' will also likely continue to get even better into more companies announcing vaccine test results, and timetables for US FDA EUA (Emergency Use Authorization) distribution.

To cut to the market chase, the operative Evolutionary Trend View decision now is whether December S&P 500 future can stabilize soon for a push back above the 3,575-85 congestion (also last week's Close) and ultimately the 3,600 'big penny'. If not, it will more likely experience further weakness back down to a retest of the 3,505-10 Negated early September DOWN Closing Price Reversal (CPR), as it did late last week prior to rallying. Yet even that would leave the up trend intact.

The 'macro' influences remain the same as explored at length in Wednesday's ALERT!!, and we suggest reviewing that for anyone who has not done so already. The COVID-19 pandemic infection spread is worsening to the point where the healthcare systems in a series of US states are at risk of being overwhelmed, to the point that regular medical examinations and critical procedures are now being delayed to accommodate the crunch from extensive fresh COVID-19 infections.

Unfortunately, address of that problem takes us back into the US political sphere due to President Trump's refusal to assist the Biden administration transition, which includes liaising on the COVID-19 situation. The lack of any cooperation from the Trump administration, based on the recalcitrance of his hand-picked head of the US General Services Administration (GSA), is creating additional risk.

This flies in the face of the traditional process, and has been sharply criticized by the US medical establishment. Biden's transition team is unable to access vital information on the current state of pandemic spread, vaccine development and even more so historically

massive vaccine distribution plans that will definitely spill over into next year, along with other details on the healthcare situation.

As noted on Wednesday, this led to Tuesday's very highly unusual broad medical community writing a combined AHA, AMA and ANA letter (<https://bit.ly/3nQQoan> for the AMA press release) to President Trump on the problems he is causing with the delays in assisting the Biden transition team in this very vital phase. And as many informed observers are now asserting, the overall problem is a lack of full national strategy on the pandemic suppression despite various Trump claims of aggressive action, such as on ventilators, PPE, and other factors.

As far as any finality on US Presidential election results, we continue to suggest keeping a close eye on Pennsylvania. Also as noted Wednesday, watch the Team Trump vote contention lawsuit, both for the number of Pennsylvania electoral votes (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. It means the current suit in US federal court there is likely a last bulwark against confirmed Biden victory and even erosion of Republican Party support for Trump's efforts... and it gets curiouser and curiouser.

As we cited on Wednesday, according to a very good, concise Reuters article (<https://reut.rs/38PeCNH>), US District Judge Matthew Brann “...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.

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 now it gets curiouser, insofar as the Trump legal team on that case, headed by personal lawyer Rudy Giuliani who had not seen the inside of a courtroom over the past several decades, has reinstated a previous broader assertion. However bizarre it may seem in light of the judge's existing skepticism on the more limited claim referenced above, according to this morning's Reuters article (<https://reut.rs/3pII9yA>) they have asked the judge to kick the decision over to the Republican-controlled state legislature. That would deliver an ‘appointed’ slate of electors, giving Trump the victory by replacing the electors chosen by the vote.

This is beyond bizarre, not only based on Judge Brann's previous skepticism yet also the fact (as noted in the article by Loyola Law Professor Justin Levitt) that “...*courts won't toss ballots out (or otherwise stop an election tally in progress) without actual proof that the ballots in question were invalid.*” Also as a final note, even if certification of the current Pennsylvania vote is blocked by the court, Biden would still barely have the minimum 270 electoral votes to prevail.

As such, unless something changes dramatically on either discovery of actual election fraud (which the Trump team is no longer even claiming after previous serial legal rebuffs) or there is a legislative coup that allows a state legislature to shift their electors to Trump,

the US Presidential race will be a diminished major influence. Yet the lack of transition cooperation will remain a 'yin' factor.

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/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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