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ROHR ALERT!! Certification Elevation

1 message

ROHR Alert <rohralert@gmail.com> Wed, Nov 25, 2020 at 11:40 AM
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Dear Subscribers,
Well, it's not like we didn't expect it. Yet the final key US presidential election 'battleground' states' certification of Joe Biden as the winner (with their attendant electoral votes) was enough to restore the US equities 'risk on' psychology.

[We provide this ALERT!! with apologies for the lack of any analysis on Tuesday due to technical problems. Yet as market tendencies we exactly as foreshadowed on Monday, we hope you understood the trend implications discussed today.]

Whereas even in many recent cases it has been important to ignore the rather convoluted political influences from the very distended US presidential election, the most recent phase was 'different'. That is due to it being at the nexus of politics and pandemic. As we noted as far back as our November 10th 'On the Yin-Yang' ALERT!!, US equities (and other asset classes) were caught between sharply divergent influences after that Monday's Pfizer vaccine announcement.

With trials efficacy of "over 90%" (ultimately more so 95%), it was the first wave of the recent positive vaccine news tsunami. Of course, the US equities are still on the yin-yang due to the crushing weight of the near-term Fall resurgence of the COVID-10 pandemic spread in the US and elsewhere. As such (and as suspected), the US equities need to look out to the far end of their typical 6-9 month forward view to remain upbeat even as the near-term news (next 4 months) worsens.

Yet after that Monday's December S&P 500 future sharp surge to a 3,668 new all-time high, it had slid back down below the obvious low 3,600 area support and even the interim 3,585-75 range for last week's Close (including the previous week's 3,582 weekly Close.) This left an operative question (as we highlighted) of whether it could push back above the 3,585-75 range to reestablish its upside momentum, or would it fall further? That's the 'technical' side of the equation.

On the 'macro' side of the macro-technical perspective was quite a bit of more upbeat than expected economic news, like Monday's better than expected global Advance PMIs, as well as the ongoing improvement in the vaccine prospects. However, that is why the stalled definitive result of the US presidential election was at the political-pandemic nexus for the markets. It is not just enough to have a range of vaccines achieve approval from the US FDA. It is also critical to have an aggressive vaccine distribution mechanism in place for actual vaccinations.

As such, the already untoward delay in the Trump administration (which is to say the President himself) in acknowledging the Biden-Harris ticket as the 'apparent' winners of the election after others declared this back on Friday, November 6th was a real world problem. It was creating a delay in Trump-appointed GSA head Emily Murphy providing the 'ascertainment' of Biden as the incoming winner.

The Biden transition team thereby not having access to government funding and offices was a problem. Yet even more so was the lack of official access to the government officials who are currently in charge of the vaccine development and distribution plans. The Biden team was literally proscribed from even speaking to any of them, and *vice versa*. This was creating rightful concerns over whether the incoming administration would be 'up to speed' on all anti-pandemic measures.

This is why after so much of our previous analysis of Team Trump's specious stalling tactics, Monday's 'One Down and Two to Go' ALERT!! highlighted the pressure (or as she put it just plain enlightened perspective) on GSA's Murphy if Michigan and Pennsylvania 'certified' their state votes, handing their electors assignment to Biden in the electoral college vote on December 14th. (Anyone desiring more specifics should consult the CRS paper https://bit.ly/3kZvTGs.)

Once that occurred she did indeed 'ascertain' (the official term) Biden as the 'apparent winner' on Monday evening. That opened all of the federal government information and funding for the Biden transition team. Of course, that also meant access to all the anti-pandemic developments and government officials with the latest information and forward plans. *Viola*… vaccine implementation confidence.

While it was possible to ascribe recent market activity to other 'macro' influences, sometimes the proof in the pudding is how the markets react to a specific, well anticipated development. In this case, December S&P 500 future pushing back up into the top of the 3,575-85 range late in Regular Trading Hours on Monday was a constructive sign. Yet only once it became very clear that Ms. Murphy was going to 'ascertain' Biden as the winner shortly after US markets Closed did it push above 3,575-85. It seems a fairly clear indication on the key 'macro' influence.

That leaves the proverbial 'burden of proof' back on the US equities bears to push the December S&P 500 future back below the 3,575-85 range, or suffer a sustained further rally on the renewed 'risk on' psychology. If after several days below that range since the middle of last week they could not accomplish a selloff to the more important 3,505-10 range, why would we expect that to happen now?

It puts us in mind of one of our favorite quotes from Sherlock Holmes (or actually Sir Arthur Conan Doyle.) Reacting to too much exuberance from Dr. Watson on one of Holmes insightful analyses of a convoluted situation in the beginning of the book 'The Sign of the Four', the detective chides him, "*Eliminate all other factors, and the one that remains (no matter how improbable) must be the truth*."

While it is impossible to 'eliminate' possibilities in markets (they can do anything at any time), there can be discounting of factors which appear too unreasonable. In this case that would be the US political concerns last week leading to the bears unsuccessful multi-day pressure below the 3,575-85 interim congestion support.

Unless the bears can create another, more volatile, failure back below that area sometime soon, there is a much better possibility that the US will continue their resumed climb to a new all-time high above the early month 3,668. Of note, that chapter one of 'The Sign of the Four' is 'The Science of Deduction'. We would like to think something similar applies to effective macro-technical price trend analysis, even while allowing it is always going to be intrinsically less empirical.

Yet, what is our other evidence that Biden 'ascertainment' is the driver for a return of a sustainable 'risk on' psychology? For one thing global govvies have backed off from their key resistance levels since Tuesday. Likewise emerging currencies extended their already impressive recent gains against the US dollar after some minor reactions over the last two weeks. Similarly the developed currencies are also pushing up a bit further against the greenback.

In the more obscure instruments which are not really less important in the full global macro-technical view, Crude Oil has rebounded from recently languishing (since early September) at no better than 42.00 per barrel up to above 45.00.

There is also the consideration of the drop in Gold from an early-August 2,063 new all-time high to well back below the 1,924 September 2011 previous all-time high it had only approached again since earlier this year. While that is a sign of reduced inflation expectations despite extreme central bank accommodation, this also fits in with a better outlook from a currently weak economy. Already failing recent 1,850 area support, it is down to the key current 1,800 trend indications, which is also a very major historic 2011-2012 congestion area.

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/2lXiotz updated through Friday.) 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, 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 several weeks.

The near-term question was whether it could hold around near-term support at the early-September 3,587 trading high and 3,582 Close from two weeks ago, with a Tolerance to recent 3,575 congestion? Even though it slid below them last week on US election concerns, those issues clearing up early this week (see above) had reinstated the 'risk on' psychology. Now back above that range leaves minor recent congestion in the 3,625-35 range resistance along with the recent 3,668 all-time high. Yet the extension above early September's 3,505-10 DOWN Closing Price Reversal points to the 3,750-3,800 area before it is 'overextended' again.

Thanks for your interest.

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