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ROHR ALERT!! Next Outlook

1 message

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Dear Subscribers,

While we are always providing our own forward anticipatory view, in the broader sense it is always based on quality information from outside sources. And one of the most professional and prescient is always the Organization for Economic Cooperation and Development. In our Monday 'Biden Trade' ALERT!! on another upcoming influence, we were sure to reference its recent G20 International Trade data (<https://bit.ly/37hojIT>) as context for why Biden would provide assistance in that area, which has suffered under the Trump administration's ad hoc actions.

There was also reference to early November's monthly OECD Composite Leading Indicators (<https://bit.ly/39hgwHj> our mildly marked-up version) that noted the sharp Q3 economic recovery from the Q2 debacle was already slowing. It was therefore with keen interest we accessed today's early (05:00 EST) next OECD Quarterly Economic Outlook update (<http://bit.ly/2D5BvLK>.) That web posting allows for access to the typical comparative growth graph (<https://bit.ly/3mvxh5o>) of the changes and forward view into the end of 2022 benchmarked to Q1 2020.

It also provides links to the full report and the Outlook press conference. Yet for those who only desire the overview, it also has a link to the press conference presentation (<https://bit.ly/3obbiki>), where the slide show is very informative on a whole range of international financial and economic indications. Among the most telling a bit further down in the primary web posting is the country breakdown of Real GDP (<https://bit.ly/3mwLvTq>.) This shows a lot of weakness everywhere...

...except China!! As we know from other previous research, China has managed to dominate a COVID-19 driven market for PPE and other pandemic related items. This has seen Chinese exports surge, and in the context of their much greater government control it has managed to recover more quickly than any other major economy from the early year pressure. This reinforces our Monday research expectations that there will be better global trading conditions on the back of a more rational Biden international trading regime regarding traditional US allies.

While the Trump psychology of 'punish China' may have elicited a certain visceral satisfaction, in general it was a failure in the context of the fact that September "...brought an all-time record import haul of US\$203 billion, but that cooled to US\$178.74 billion in October." and in general, "... China's trade surplus with the United States was 46.5 percent higher than the day Donald Trump took office..." as cited in an informed South China Morning Post article (<https://bit.ly/2JxniOa>.)

That is despite an ongoing aggressive trade spat with Australia over political policy and defense matters as well as trade. All of which leaves a major incentive for the incoming Biden administration to mend trade ties along with defense agreements with major allies, which must by nature include adjustment of the Trump tariffs and quotas. As such, the

'next outlook' is that Biden administration integration into the vaccine production and distribution efforts based on last week's approval of their transition team access to funding, people and plans is very consistent with the improved, yet still challenging, OECD 2021 projections.

As almost everyone agrees, and is highlighted again in the OECD Outlook, there needs to be more government fiscal support for COVID-19 relief efforts. It is a real shame that the US Congress has not been able to get together on any package whatsoever to this point. Yet as the situation becomes even more dire into the late-December loss of unemployment benefits for many folks and a looming January eviction crisis (expiration of the December 31st eviction proscription order from the CDC), there are now murmurings of a renewed chance for that.

In any event, the US equities continue to reflect the extended upbeat vaccinated outlook for a full nine months out, which we have been highlighting ever since our November 9th 'Happy Equities...' ALERT!! in the wake of the 'high efficacy' announcement from Pfizer on its COVID-19 vaccine trials. Better and better news on the vaccine front recently includes multiple EUAs (Early Use Authorization) that will now likely begin late this month. That is historically astounding!

And of course, that may be aided by recent economic data out of Asia, today's global Manufacturing PMIs and the Powell-Mnuchin testimony. Therefore, in the context of new record infections in the US and continued high levels elsewhere along with individual US state hospital systems suffering under the weight of record hospitalizations, the still constructive outlook leaves it seeming less contrarian that US equities should be up near recent all-time highs.

While global govies have been bid on the recent negative COVID-19 restrictions influence (also noted by the OECD), they are now coming back under pressure from recent highs. After some brief downside reactions both emerging currencies and developed currencies are strengthening again versus the US dollar. In fact, the US Dollar Index has hit a new 2.5 year 91.50 trading low this week after finally Closing below the stubborn (held tests for three months) 92.50-.24 support last week. That all feels like the 'risk on' COVID-controlled psychology is intact.

This is the critical consideration

[Reflecting recent activity: see Monday's ALERT!! for extended assessment]

Aside from the sheer magnitude of the selloff in the first week of September, it was also a technical pattern top. That is clear on the front month S&P 500 future weekly chart <https://bit.ly/39A23pM> updated through Friday. Such a significant rally above the previous week's 3,504.50 Close and 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.

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. After that held once again, the recent surge 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. Yet instead 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 three weeks ago, with a Tolerance to 3,575 congestion? Even though it slid below them two weeks ago on US election concerns, those issues clearing up early last week had reinstated the 'risk on' psychology. Now back above that range left minor recent congestion in the 3,625-35 range resistance. Now above that points to the recent 3,668 all-time high. Yet extension above September's 3,505-10 DOWN Closing Price Reversal points to the 3,750-3,800 area overall before it is 'overextended'.

Thanks for your interest.

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