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ROHR ALERT!! Nexus Plexus

1 message

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Dear Subscribers,
For the uninformed, a 'plexus' is an interwoven combination of parts or elements in a structure or system. Nothing is more *apropos* now to describe intermingling of market influences at the political-pandemic nexus highlighted since it came to a major crucial inflection point early last week. That was on the still problematic Biden-Harris victory certifications in a couple of key states (MI and PA.)

The critical nature of that political decision (which at times markets ignore) was sharply highlighted by the lack of any US equities enthusiasm last Monday on the third positive COVID-19 vaccine news (AstraZeneca) in two weeks. Only as the Michigan and Pennsylvania certification came through later Monday evening and early Tuesday did the December S&P 500 future push back above the key interim 3,575-85 range it had slipped below on political concerns the previous week.

In our view this reinforced the degree to which political influence was a primary market driver again into the very mixed pandemic news, which includes the horrible near-term infection and hospitalization developments against the very hopeful forward view on vaccines. As we highlighted into and after last week Monday, the key was the encouraging GSA 'ascertainment' of Biden as the 'apparent winner', officially sanctioning his team's transition approval.

That was an obvious watershed for more vaccination hope on the incoming Biden administration's ability to 'hit the ground running' on January 20th after concerns about them possibly being deterred by a previous lack of access to key people and information. As such, by later on last week Tuesday the December S&P 500 future was up challenging the 3,625-35 interim resistance that was established after the previous Monday's (NOV 16) Moderna vaccine trials announcement.

Even after Biden-Harris GSA 'apparent winner' ascertainment last Tuesday, it was still stalled roughly into that resistance. Yet even after a reaction back near 3,585-75 early Monday, all of a sudden after the US markets Close it pushed up well above that area. By early Tuesday it had even traded somewhat above the early November (Pfizer announcement) 3,668 all-time high at that time.

So what happened? Well, another twist at the political-pandemic nexus: renewed hopes for the previously seemingly dead US COVID-19 stimulus/relief package from Congress. The reason for this phoenix-like resurrection is the newly sharp warnings of impending economic and cultural disaster if 'something' isn't done to counter pernicious developments that will hit right after the Christmas holiday.

It would seem compelling to address major negative impacts like 12 million Americans losing unemployment benefits literally the day after Christmas, and a major residential eviction tsunami right after January 1st. The latter is of truly Brobdingnagian proportions,

likely affecting 30-40 million Americans. While that may seem an unreasonably large number, it is backed up by solid research.

The best of it that we saw previous was aggregation of government and private information by the Aspen Institute (https://bit.ly/37udSv8) back in August. It is somewhat dated in noting that eviction proscriptions had already expired, as that was prior to CDC Eviction Moratorium Order (https://bit.ly/3mAbfOL.) That was an enlightened move to prevent more aggressive spread of the COVID-19 pandemic into this Fall. One can only wonder what they might do in what is now even much more of a health and hospitalization crisis now. And the lack of ability to evict also has troubling implications for landlords… quite the Gordian Knot.

All of which is why it appears that the Democratic request for a more 'robust' (code language for massive government spending) relief package seems to actually make sense under the circumstances to prevent both cultural and economic problems. That is part of why the US equities rallied, and global govvies along with the US dollar came under pressure on Tuesday.

It was also that more expansive relief was endorsed with a repeated entreaty from Fed Chair Powell to not worry about the current deficit. There was also a clear Team Biden press conference message from Treasury Secretary-in-waiting Janet Yellen on the permanent economic damage which will certainly take place if there is no timely address of the combined unemployment and renter eviction issues.

Yet based on previous form being maintained by the more partisan members of Congress, any passage of a more expansive relief package remains more than a bit problematic. While a bipartisan group of both Senators and Representatives presented a compromise $908 billion relief plan (https://cnb.cx/2VrHi7F), it was immediately shot down by Senate Majority Leader McConnell. The Republican fiscal conservatives (such as they may be) are ignoring the advice of Powell and others, and are averse to any aid for states and cities ($160B in this package.)

They still prefer the same limited relief bill they have been supporting for a while. That is despite the lack of any chance the Democrats want to sanction anything that ignores the rightful needs of the states and cities, which have seen their sales tax receipts destroyed by the small retailer and dining impact of the crisis. The problem here seems to be the GOP focus on the overall economic recovery versus the Dems desire for more direct support for individuals.

That was glaringly apparent in this morning's CNBC interview of Senator Pat Toomey (R-PA) (https://cnb.cx/3qmvmSH), where he was adamant the problem was the Dems lack of willingness to back a Republican $500B plan to mostly funnel money to small businesses through a targeted PPP program, with some money for schools steps to create a COVID-resistant environment. As we heard one wag note regarding the GOP parsimony, "*Mitch McConnell looks like the second coming of Herbert Hoover*" (the Great Depression failure President.)

That is why it is important for anyone who has not done so already to take a look at Tuesday's 'Next Outlook' ALERT!! It focused heavily on the early Tuesday next OECD Quarterly Economic Outlook update (http://bit.ly/2D5BvLK.) That web posting allows for access to a comparative growth graph (https://bit.ly/3mvxh5o) of the changes and forward view into the end of 2022 benchmarked to Q1 2020. The actual web page has the interactive

version (just a bit down from the top) that allows comparison with their June Economic Outlook projections.

While the current version once again shows the same better recovery than the June version (as was the case in their mid-September release), it remains well below the growth path that was indicated in late 2019. And the interactive version allows the comparison with the June projected growth graph. In the context of the current resurgence of the pandemic, we are a bit surprised they eliminated the 'double -hit' potential into Q4. They are instead using a somewhat lower growth alternative if the pandemic continues to burden global economic growth.

Yet there does seem to be a COVID-19 'double -hit' in progress on the sharp rise of infections and especially hospitalizations, inflicting maximum stress on those systems. It is possible that people will finally realize the necessity of pandemic suppression protocols, like mask-wearing and social distancing. Yet the US Thanksgiving holiday travel has created a problematic situation into later this month and January, not to mention whatever may transpire into Christmas. Additionally, newly imposed government restrictions on local retail and dining would seem to be that 'double-hit', with little chance of any relief in sight.

The improved performance of US equities and weakness of global govvies along with the US dollar seems well entrenched. However, those tendencies are driven by a hopeful political-pandemic nexus psychology, where the COVID-19 pandemic is currently getting worse instead, despite upbeat future vaccine hopes.

Therefore, even in the context of the Biden team likely being more amenable to pandemic relief, they are not going to be in charge until after January 20th. As the cries of anguish on potential economic and cultural damage prior to that time motivated the bipartisan effort, it is important for markets as well to see if that succeeds. As a bellwether of 'risk on' psychology, we will continue to monitor the December S&P 500 future ability to hold interim 3,635-25 and the 3,585-75 area.

Courtesy Repeat of Tuesday's 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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