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ROHR ALERT!! Better Despite Near-Term Pressure

1 message

ROHR Alert <rohralert@gmail.com> Thu, Dec 3, 2020 at 10:40 AM
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Dear Subscribers,
The pressure is from a still aggressive spread of the COVID-19 pandemic. That is both straining hospital systems that are fielding major increases in patients from the recent infection surge, and economies suppressed by heavy government restrictions to address that. One can only wonder what the US Thanksgiving travel surge will mean to infection rates and hospitalizations over the next few weeks. While recent economic data is also 'better', in real-time that must also be considered a rearview mirror indication into what is coming next.

For example, Tuesday's passingly alright global Manufacturing PMIs were bested by this morning's mostly better-than-expected Services PMIs, even if European readings remain below the key 50.0 level. This is as expected in the context of the ongoing COVID-19 suppression restrictions, and must be a consideration for the near-term outlook. That was discussed in Tuesday's 'Next Outlook' ALERT!! that focused on the OECD Quarterly Economic Outlook (http://bit.ly/2xQTogU.)

We strongly suggest a read of that ALERT!! along with the accompanying OECD releases for anyone who has not done so already. They are a clear indication of how the current stresses lasting through Q1 2021 are going to restrain what is a better outlook into the fully vaccinated middle of next year. That is also eminently apparent in Wednesday afternoon's Fed Beige Book (https://bit.ly/3qjYt9z.)

As noted in a very good Bloomberg article (https://bloom.bg/33ET03g), the slight growth in most US districts is subject to pressure from expanding COVID-19 suppression protocols, and that will need to be assessed in future. Yet it also notes the hopeful nature of Tuesday's fresh bipartisan stimulus/relief plan from the US Congress. As noted in Wednesday's 'Nexus Plexus' ALERT!!, this is more encouraging due to both the imminent nature of the further problems which loom into late December, and the broad nature of the full Congress bipartisan group.

In fact, after seeing the Biden administration transition team GSA 'ascertainment' US equities surge early last week, markets stalled around previous resistance levels (including the near-term global govvies upside reaction bid and US dollar holding weakly against support.) Yet in the wake of Tuesday's indication that there was a renewed US stimulus/relief effort afoot, US equities pushed above the November 9th Pfizer announcement all-time high: that was the December S&P 500 future 3,668 level not seen again until Tuesday despite further vaccine news.

Evidently in the face of increasing alarm over the pending post-Christmas loss of unemployment benefits for 12 million Americans (one sarcastic friend quipped, "Happy Boxing Day"), and likely January 1st eviction tsunami (see Wednesday's ALERT!! for full details and analysis), the more reasonable members of both US political parties decided that the sustained inertia was unacceptable; and it was finally time to 'do something'. This

reaffirms our view that as important as the COVID-19 pressure and forward vaccines may be, US politics is primary again.

Considering the concerns expressed by the OECD (and other NGOs like the IMF and World Bank), repeatedly by the Fed ever since Chair Powell's June post-rate decision press conference, and chapter and verse on the extensive, potentially permanent negative implications delivered by Treasury Secretary-in-waiting Yellen Tuesday, the need for the US government to 'do something' is apparent.

We believe the current US equities bid around Tuesday's previous December S&P 500 future 3,677.50 all-time high is driven by this anticipation. The same is true for the recent pressure on the global govvies, and the sustained weakness of the US dollar against developed currencies after previous sharp falls against emerging currencies. In an anticipatory 'bad news is good news' psychological context, any confirmation of a weaker near-term economic outlook consistent with COVID-19 pressure might be just the thing to encourage that US stimulus/relief action.

In that regard, any 'miss' on Friday's US Employment report might be just the thing to further focus the minds of Republican Senate Leader Mitch McConnell and his tightly controlled majority caucus. The key Nonfarm Payrolls estimate has dropped to a gain of 481K (previous 638K) in the wake of Wednesday's much weaker than expected ADP Employment number (307K vs. 410K estimated.)

While it is never good to root for less constructive economic data, in this case it is fine to look for anything that will finally pressure the US Congress to get its act together, and provide some relief to the beleaguered American public.

Another 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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