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ROHR ALERT!! Win-Win US Employment Report

1 message

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Dear Subscribers,

Well, there we have it... the November US Employment report that showed US Nonfarm Payrolls increased by 245,000 against an already reduced estimate of 481,000 in the wake of Wednesday's weaker than expected ADP Employment number (307,000 vs. 410,000 estimated.) That included the October report revision down to 610,000 from 638,000 and November's Labor Force Participation Rate dropping to 61.5%, indicating 400,000 folks leaving the job market. That impugns any positive inference from the Unemployment Rate drop from 6.8% to 6.7%.

We are coming to you earlier than usual due to our desire to share our views on this morning's report. And as noted in Thursday's 'Better Despite Near-Term Pressure' ALERT!!, *"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."* If only in that regard, today's report is a definitive 'win'.

This report is also an important second read on the US employment picture after lagging positive influence from massive early year US government stimulus/relief programs. This is because (as extensively explored previous) the little secret of the monthly US Employment report is that it cuts off around the 18th day of the previous month. As such, the 'October' report was actually the 'second half of September through the first half of October' report. And the second half of September was the first full read showing the impact of the early August drop off of the \$600/week supplemental US Unemployment benefit... a major development.

As such, while the October US Employment report Nonfarm Payrolls still showed a robust gain of 610,000, there was a question over whether that would maintain into what have been additional COVID-19 pandemic suppression restrictions. Those were going to affect key businesses like dining, hospitality and local retail. And what did we see today? Retail and hospitality lost 35,000 jobs. To the credit of the jobs market, part of the drop was 100,000 fewer government jobs, likely related to the reduction in US census workers as that effort winds down.

But the real question was always going to be what effect today's Employment report would have on the markets? Regardless of any dissection of the subsets, let's allow Nonfarm Payrolls and the Labor Force Participation Rate were fairly crappy numbers. Well, the US equities didn't even flinch. At present (09:00 EST) the December S&P 500 future remains up around Tuesday's new 3,677.50 all-time high without any selloff at all on the report release. This would seem to reinforce the degree to which US stimulus/relief politics seem to be more important than the near-term pressure from the renewed COVID-19 pandemic restrictions.

In anticipation of further government COVID-19 suppression restrictions, not just in the US but throughout North American and Europe, the economic data is not likely to improve in the near-term. We already reviewed at length the implications of what the OECD has to say about the way forward in Tuesday's 'Next Outlook' ALERT!!, which we still recommend reading for anyone who has not done so already. The bottom line is the sharp Q3 global economic recovery was already losing momentum prior to currently anticipated further COVID-19 restrictions.

In that same vein, today's Nonfarm Payrolls and Labor Force Participation Rate were the sort of weak economic readings which classically would have brought more strength to the global govies. *Au contraire*, they are under some modest pressure again after their recent bounce back to failed trend support ranges.

Foreign exchange is more problematic after the US dollar seemed to anticipate the US government stimulus/relief package was likely to pass. While that would leave many more greenbacks awash in the world, the US Dollar Index had already extended its Tuesday drop below the key 92.50-.24 range (which had held for three months) to the heftier 90.50 congestion from early 2018. This might have been a case of 'sell on anticipation and buy the fact' ...or at least buy on the heavier probability of US COVID-19 stimulus/relief passing. We shall see.

Another Courtesy Repeat of Previous critical consideration

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 previously 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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