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ROHR ALERT!! It's Raining Santa's

1 message

ROHR Alert <rohralert@gmail.com> Thu, Dec 10, 2020 at 10:08 AM
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Dear Subscribers,
Having just heard the ECB's post-rate (non-)decision (they held steady as anticipated) press conference, we can confidently declare there is yet another 'Santa' in the house: Santa Christine. Madame Lagarde and her ECB cohorts may have left the rates steady, but they also evolved the various ECB programs to accomplish more accommodation on top of its already aggressive programs.

The Monetary Policy Statement (https://bit.ly/2IzFK8K including a link to the video of the full press conference) she read at the top of the press conference included an increase in its "*pandemic emergency purchase programme (PEPP) by €500 billion to a total of €1,850 billion*." While that alone might have been enough to encourage the idea of more central bank support, the 'adjustments' to the rest of its accommodation programs to achieve greater confidence through stimulating more lending at amenable rates were also striking. Just read the statement for the extensive details, and allow that she promised significant further adjustments were possible if the current steps are considered insufficient to achieve success.

That adds her to the under-invested folks who are now continuing to throw cash at the US equities in an attempt to be 'fully invested' by the end of the year. As we discussed at length on Tuesday, there is no 'Santa Claus' in the markets; in the positive US equities years it is 'Santa Portfolio Manager' passing out goodies.

Then there is Santa 'Jay' (Powell), who has been very frustrated (along with the rest of us over here) by the stimulus/relief Congressional elves being on strike since March. With no new goodies being distributed, it is shaping up to be a very much less than 'Merry Christmas' in the US. While things seemed to be getting closer last week, President Trump decided to be the 'spoiler' this week.

His administration offered up an alternative with poison pills the Democrats were never going to accept. It is also broadly acknowledged that it is a distraction from the package of similar size (low $900 billion area) that was already in progress. While there were still two of key contentious issues to be resolved, it was working its way toward potential success by the extended December 18th deadline, along with the more major US government omnibus spending bill needed by that time.

With ECB largesse expansion and an already amenable 'Santa Portfolio Manager', barring any untoward sharp drop in US equities, an awful lot depends on that Congressional US stimulus/relief effort. As discussed in Wednesday's 'Vaccine Verve' ALERT!!, that is in addition to this week's likely approval of an EUA (Early Use Authorization) for the Pfizer/BioNTech COVID-19 vaccine after the FDA Vaccines Advisory Committee meeting today… either Friday or over the weekend.

So it's all good on the 'multiple Santa's passing out year end goodies' front for a continued 'risk on' rally... well, not quite 'all' good, depending on what happens with those pesky US Congressional elves. While it is typical the US Congress cannot get anything done until it becomes a crisis (leaving us all hanging in the meantime), at least they had the presence of mind to not let it go to an actual US government shutdown two weeks before Christmas Eve. Yet the dark cloud remaining in front of any silver lining is whether they can actually accomplish a US relief compromise to avoid failure just a week before Christmas. We shall see.

This is the 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/3m12pZv 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.

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 month.

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 four weeks ago, with a Tolerance to 3,575 congestion? Even though it slid below them three weeks ago on US election concerns, those issues clearing up early two weeks ago had reinstated the 'risk on' psychology. Recently above that left minor resistance at congestion in the 3,625-35 range resistance. Also above that pointed to the recent 3,668 all-time high that was exceeded last week for a 3,700 new all-time high.

While it has traded slightly above that this week, Wednesday saw a selloff back below that area into the area of that previous 3,668 all-time high. That has a Tolerance of the more recent 3,655 congestion, with additional interim support at the interim 3,625-35 range congestion. As long as those hold on the current selloff, the 'risk on' rally extension psychology above September's major 3,505-10 DOWN CPR still points to the 3,750-3,800 area before it is 'overextended'.

Thanks for your interest.

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