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ROHR ALERT!! ‘Risk On’ At Risk… Sort Of

1 message

ROHR Alert <rohralert@gmail.com> Fri, Dec 11, 2020 at 11:03 AM
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Dear Subscribers,
Well, our enthusiasm for the suddenly far more bipartisan US Congressional approach to providing Americans desperately needed COVID-19 stimulus/relief seems to have been at least partially misguided… in the near-term. That is where ‘near-term’ hopefully means no more than a few days. We shall see on that for the combined relief package and US government omnibus spending bill one week deadline extension until the end of next week. It is also breathtakingly typical and ultimately troubling the US Congress always needs more time in these matters.

While many of the stimulus/relief particulars have been agreed, the issue of a liability waiver for businesses against lawsuits regarding their role in spreading the infection remains a thorny issue. However, even in that area there is ‘good’ news in the form of the advanced point at which the negotiations have bogged down for now. Tuesday afternoon’s Roll Call article (https://bit.ly/2W7Z3sS from about as neutral a reporting organization as we could find) points out that it is the degree of liability and timing of any claims against the companies at issue.

As the article notes, “*Republicans had proposed providing businesses blanket immunity except in cases of gross negligence, but Democrats said that was too narrow and would prevent most claims*.” While this circle needs to be squared in the context of Senate Leader McConnell’s strong pro-business sentiments, the bipartisan group is working on an “affirmative defense” compromise “...*which could give businesses that follow proper health and safety guidelines the ability to get lawsuits dismissed*.” Sounds sensible, and we can all hope it succeeds.

So for the most part (with the issue of whether there will be any direct payments to individuals the other stumbling block), the ‘good’ news is that they are that far into the weeds on this, and creative fine line adjustment may clear up that issue. This is a real advance from the previous heavily partisan Republican demand for ‘blanket immunity’ and the Progressive Left of the Democrats (Senator Sanders and his acolytes) demanding no waiver of liability whatsoever. It is a testament to major efforts by the 50-strong House Problem Solvers Caucus and nine members of the bipartisan group in the Senate on breaking through partisan prejudices.

Of course, there is also a suddenly elevated realization by even the more partisan members of each body that they do not want to head out on a Christmas holiday when so many Americans are at risk of dire developments. Those include millions losing unemployment benefits the day after Christmas, and an eviction tsunami right into New Year’s Day and beyond. Those seemed to equate to the classical ‘negotiating with a mule’ parable as it relates to motivating Congress.

For more on that, please listen to this clip (https://bit.ly/2K4S6X1) from a podcast that I developed for some friends. That was from my podcast on the ‘Win-Win US Employment

Report' on December 4th posted early this week, where you had already received the full analysis timely early last Friday. As such, even though it is redundant for you to listen to that full podcast, if you'd like to do so it can be found at https://bit.ly/37PMkAC (excerpt above from 02:30 into the discussion.)

So while the mule seems a bit ornery once again now, as the assessment above clearly indicates, the situation at least has its full attention and it will hopefully come around to providing the desired action. While that is still pending, at least there is some credible reason for hope. And if that situation is constructively resolved, there are many positive influences. This was reviewed in Thursday's 'It's Raining Santa's' ALERT!! summary of the central bank actions that include sustained stimulus demands from Santa 'Jay' along with Thursday's action by the ECB's Santa 'Christine' on (albeit well-anticipated) expansion of their programs.

And Thursday saw the addition of Santa 'FDA Vaccines Advisory Committee' (yeah, it's kind of wordy) that approved the EUA (Early Use Authorization) for the Pfizer/BioNTech COVID-19 vaccine. Full FDA approval for that is likely before the end of this weekend. Further, that bodes well for FDA EUA approvals in coming days for the stream of other vaccines that showed high efficacy in their stage-3 trials (Moderna and AstraZeneca) along with others that will be reporting soon.

This is a major fillip for the economic outlook over the intermediate-term, Yet in the context of the huge weight of the current COVID-19 pandemic pressure, it is even more telling that the otherwise upbeat US equities have reacted badly to the hopefully temporary glitch in the stimulus/relief negotiations in the US Congress. As good as the 6-9 month outlook may be on immunization hopes, the near-term damage from the lack of economic relief may turn into more troubling permanent damage to the US economy that will affect the rest of the world as well.

As much as the US equities have fallen, at least so far December S&P 500 future has only dropped back below the immediate interim support in the 3,668-55 range (including the November 9th Pfizer announcement new all-time high back then) to the next interim 3,635-25 support. The more major support remains down in the critical post-US election (Biden certification) congestion in the 3,585-75 range.

The recently 'bifurcated' asset class psychology had global govvies rallying on that troubling near-term outlook (also meaning the lack of inflation Madame Lagarde noted on Thursday.) That was despite the US equities advance, and has seen them naturally advance further on current US equities weakness due to the glitch in the US relief package negotiations. While the US T-note is up against recent resistance, the UK Gilt is up to levels from early October, and the German Bund has broken through to near highs last seen back in March. The general lack of inflation anticipation is exacerbated by the UK-EU failure to reach a Brexit deal.

Foreign exchange is also reflecting the first risk to the 'risk on' psychology in a while. Emerging currencies are backing off from their most recent extended gains against the greenback, even if their overall rally remains impressive. Yet the US Dollar against the SA rand recovering back above the 15.00 area, and the Mexican peso seeing USD/MXN back above the 20.00 'big penny' are both troubling signs for the extension of the 'risk on' psychology despite the recent vaccine success.

There is continued Brobdingnagian central bank accommodation, major medical breakthroughs portending and end to health and economic pressures from the COVID-19

pandemic, and clear pressure on the US Congress to 'do something'. The only rationale for the 'risk on' psychology waning seems to be that lack of confirmed US action so far. As such, if there is bipartisan US relief agreement, we suspect 'risk on' will be back in full force. And the extended deadline at the end of next week will hopefully focus minds around squaring the circle of that remaining business 'liability immunity' issue. If not? Well, fasten your seatbelts.

Courtesy Repeat of Thursday's critical consideration
[Levels remain the same even if the psychology has shifted a bit]
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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