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ROHR ALERT!! Oh What a Relief It Is

1 message

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Dear Subscribers,

Yes indeed, you fellow dinosaurs out there will recognize our title as a line from an ancient Alka Seltzer effervescent antacid television commercial. It is a reference to the hopeful waning of the many headwinds impacting the typical 'Santa Claus Rally', or more so 'Santa Portfolio Manager Rally' (as noted since our December 8th ALERT!!) For a while late last week it appeared that Santa had been mugged on the way to passing out many more US equities rally goodies.

To deflect culpability at present, the mugger is now helping Santa back to his feet and dusting him off... and highly divergent and passingly 'bifurcated' asset class trends are responding accordingly. Of course, the mugger is the US Congress.

While we will revisit that shortly, we are also sensing quite a bit of personal relief, as the late year is our single full holiday all year. While we are not complaining about our role in counseling a broad array of international clients, it does mean that there are not really full holidays even during official US observations.

Monday we will be providing an Evolutionary Trend View that 'widens the lens' to a broader technical trend assessment to allow for any wide price fluctuations (such as was beneficial while we were out in late 2018.) There will also be a two week Weekly Report and Event Calendar, and then we're gone until January 4th.

Back to the present, the reasons for a continued upbeat 'Santa' continuation of the US equities renewed 'risk on' psychology remains the same as explored in Thursday's "Nouveau form of 'Relief Rally'" ALERT!! We suggest a read of that for anyone who has not done so already. As noted Thursday, that includes a link (<http://cnb.cx/34ptQWS>) to the CNBC interview of Senators Portman (R-OH) and Manchin (D-WV) laying out why the current \$908 billion package (even without some items certain folks wanted) is a rational approach. It gets past things like late December expiration of Unemployment Benefits for millions of Americans.

Even as the US Congress typically (and sadly) "needs a little more time" (i.e. this weekend) to complete the legislation due to competing agendas, it is more than highly likely to pass. It is certainly a 'relief', along with the constructive, and now expanding, vaccine developments on the COVID-19 front. That of course refers to FDA expert panel review leading to EUA (Early Use Authorization) for Moderna's COVID-19 vaccine; that's on top of Pfizer vaccine distribution already in progress.

As also reviewed on Thursday, nothing could have been more accommodative than what we heard from central banks over the past week. That includes the ECB last week Thursday, the fresh reinforcement from the FOMC Wednesday and the Bank of England Thursday morning. All were impressive in commitments to ignore inflation until there are significant signs of economic recovery. Please see Thursday's ALERT!! for more specific analysis and

links to official FOMC action (including Powell's press conference) and the Bank of England communication.

However, all of that (including the accommodation celebration) is buffered by the current COVID-19 reality, which is broadly acknowledged to continue in Q1 2021. This morning's excellent Reuters article (<https://reut.rs/3mvDXzE>) highlights the degree to which this is a global problem. Yet the US is among the worst situations with a health system close to being overwhelmed by record daily new infections of well above 200,000 per day for the past two weeks, and trending higher.

And the daily deaths being cited as "more than 3,000" is looking like a case of extreme understatement. Given the tendency for higher readings hitting 3,600 in one day, that might be more aptly characterized as "trending toward 4,000 deaths per day." While not wanting to be macabre about it, hospitals everywhere are renting refrigerated trucks to act as temporary morgues... scary and depressing.

That's not just psychologically depressing. Renewed and extended restrictions local and national governments are placing on various global economies are also going to depress economic activities in the most heavily afflicted industries. Many of those have businesses which will not survive the Winter without some major government support. And the issue there is the 'scarring' (i.e. sustained damage) to economies that will not be easily reversed into 2021, even once the pandemic situation eases. That is also going to be a societal problem as well.

Yet that along with some troublingly weak recent US economic data does not seem to be bothering the US equities. Their post-Pfizer (early November) vaccine efficacy announcement leaves them taking the upbeat 'looking past the trough' intermediate-term (6-9 month) view. That is not unusual, yet especially striking in the context of the further significant economic pressure the pandemic will exert on the global economy into at least Q1 of next year, or maybe a bit longer.

That said, with the expiration of the December S&P 500 future today, the modestly discounted (minus \$8) new front month March was attempting to Negate last week's minor 3,700 weekly DOWN Closing Price Reversal (CPR) prior to the current selloff. As noted previous, as opposed to more major DOWN signals (like the early September 3,505-10 DOWN CPR), it is the case that minor DOWN signals at the top of major bull rallies are not very often signals of more major selloffs.

While there is more below, pending passage of that US government COVID-19 stimulus/relief package over this weekend, the 'risk on' psychology remains in a 'binary' situation... with Santa potentially still getting mugged again if the fools (collectively, not individually) in Washington DC manage to proverbially '*snatch defeat from the jaws of victory*'. The problem is that we won't know until Monday.

Regarding the other asset classes, global govies are gaining some ground on the current bout of 'nerves' after recent selloffs from their previous impressive rallies. The UK Gilt and German Bund also most likely being restrained by the extension of the deadline of the still fraught Brexit negotiations to past a dire situation. That was looming on the previous deadline being the end of this month.

And foreign exchange has continued to see overall US dollar weakness on the general 'risk on' psychology boosting the expectations for the global economy. That includes developed currencies (with the UK and EU also aided by that Brexit negotiations extension.) Emerging

currencies also benefited greatly, recently renewing their impressive rallies against the greenback. That said, they are a mixed situation at present, with some not slipping back even on the current bout of US equities nerves. That seems to imply anticipation the US Congress will indeed find a way out of its COVID-19 relief package fog over this weekend.

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/3oTEqgn> 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 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 the serial positive vaccine announcements since early November.

The near-term question was whether it could hold support at the early-September 3,587 trading high and 3,582 early November Close, with a Tolerance to the 3,575 congestion? Even though it slid below them in early-mid November on US election concerns, those issues clearing up reinstated the 'risk on' psychology.

Above that range since late November left minor congestion resistance in the 3,625-35 range. Also above that pointed to the recent 3,668 all-time high that was exceeded into the beginning of December with a 3,700 new all-time high. While it traded slightly above that last week, last Wednesday saw a selloff back below that area into the area of that previous 3,668 all-time high.

That left a minor (based on only a very nominal 3,714.75 new all-time high) DOWN Closing Price Reversal. The rule of thumb on 'nominal' DOWN signals in a sustained bull trend is that they tend to be violated after only a brief reaction.

Whether that would be the case here was the next question. What we know for now is that there has been erratic activity on the obvious 'binary risk appetite' regarding the fortunes of the US COVID-19 pandemic relief package. That previous 3,668 all-time high has a Tolerance of the more recent 3,655 congestion, which it slipped below and then recovered above in recent trading.

Yet earlier this week it held into the additional interim support in the 3,625-35 range congestion. As long as those hold on the selloffs, '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' and more likely to react again. Yet at present the near-term consideration is whether the March contract new front month S&P 500 future can hold not much worse than the 3,700-3,690 area.

Thanks for your interest.

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