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ROHR ALERT!! Ho Ho Hum

1 message

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Dear Subscribers,

Outside of the final US equities surge in the waning hours of 2020, it was among the least impressive late year rallies with the market at new all-time highs. It might have been expected to push up aggressively with such clear incentives for 'Santa Portfolio Manager' to shed cash on his way to 'full investment' (see our December 8th 'Santa's Already in Town' ALERT!! for more on the true nature of this 'Santa'.) In the event it was generally more so a 'Ho Hum' than 'Ho Ho Ho' market this year.

It only kicked in those last several hours of trading last Thursday, on more of a 'Santa panics now that the stumbling blocks have been cleared' rush to invest. However, it is reasonable to cut Santa some slack, considering he got mugged four times on the way to passing out the typical year-end goodies. What follows is a brief summary for anyone just returning from their holiday, and it was the US election disruptions from the losing Presidential candidate in the first instance.

As a reminder, none of what we say about the US political scene is ever a partisan comment on our part... we are merely communicating the *realpolitik*, and have been equally critical of both sides as the situation warrants. Yet it was President Trump who first primed the electorate to believe that if he lost the election was fraudulent, and then claimed that after the extended mail-in votes showed the Biden-Harris ticket to be the winner. Yet the President's claims were so strong and far flung as to create concerns, despite there not being credible evidence.

In fact, of the dozens of lawsuits filed by Team Trump, only one caused a partial adjustment of ballot processing. The remainder were thrown out of court for a lack of evidence, many with scathing rebukes from the judges (many of whom were very conservative and even some Trump appointees.) While the November 9th Pfizer/BioNTech vaccine efficacy of 90+% announcement took US equities to a new high, they quickly settled back down to below September's front month S&P 500 future 3,587 previous all-time high. While some of that was undoubtedly on the concerns over the current pandemic spread, some was likely electoral fears.

In fact, even after two more vaccine announcements into Monday November 23rd, the US equities only resumed their push higher toward another new high after the Michigan and Pennsylvania Biden wins were certified later that day. The second mugging occurred slightly thereafter, on the realization that the US Congress was not in fact making any progress toward the passage of the COVID-19 relief bill.

The announcement of a bipartisan Problem Solvers Caucus that they had worked out a compromise on December 1st inspired Santa once again. That provided more cheer for about a week, yet with the devil remaining in the details. And it became clear the US House and Senate were deadlocked over the same highly contentious issues which had scuppered previous negotiations. That was the third temporary mugging into mid-December, which

was finally cleared up by setting aside the more challenging provisions on the way to passage.

Mugging number four was President Trump's refusal to sign the COVID-19 relief bill due to it not providing large enough 'stimulus' checks, which hit the markets into Tuesday, December 22nd. However, they stabilized on forward anticipation that he really could not fully refuse to sign such desperately needed relief for millions of Americans. Even at that, it took him until the following Sunday to sign. That indeed diminished the amount paid to unemployment benefits recipients.

Yet once all of the possible late year impediments were cleared, the US equities finally put on that more upbeat rally. The March S&P 500 future pushed up from the 3,720-35 range previous post-relief bill signing range to Close the year near the bottom of the 3,750-3,800 range (which we had predicted would be the next target ever since it overran September's 3,505-10 top back in early November.) However, there are now somewhat higher resistances to consider (more below.)

And while the post-election period is often a calmer phase after we return from the hustings, *NOT this time!!* In fact, the final act of the US election is about to unfold over the next few days. Tuesday brings the heavily contested US Senate runoff elections in the state of Georgia. Those bring the consideration of control of the US Senate, and thereby whether quite a bit of what the Biden-Harris team has planned will have a chance of becoming US government policy; or will be stifled by a Republican Senate majority led by the ever wily Mitch McConnell.

And based on major amounts of mail-in ballots, do not expect a result by Tuesday evening. This is now complicated by President Trump having been recorded on a call with Georgia Governor Brian Kemp and Sec. of State Brad Raffensperger where he was reviewing quite a few election totals he is still calling fraudulent. Some have interpreted this as an effort to overturn the Georgia election results, while others say it is merely an attempt to investigate any irregularities.

As important as those Georgia runoff elections will be, there is also Wednesday's US Congressional session to 'read in' Electoral College votes. This is normally a minor 'ministerial' function. Yet it allows for 'objections' to be raised to some states' individual electoral votes, or even a state's entire electoral totals. While it began as a limited effort by a few House Republicans, some Senators now joining in means the joint session will need to temporarily adjourn to debate objections.

The bottom line is that this is not likely going to derail Biden's victory. That is due to both the House and Senate needing to support an objection for it to lead to the cancellation of any of the electoral votes in question. As noted in our extensive December 16th 'Once More into the Weeds' ALERT!!, a snowball in Hell would have better odds than the chances of Speaker Pelosi's House approving any objection to the already certified state Electoral College votes. Yet that previous research is also possibly worth a read for just how viciously Trump acolytes turned on Senate Leader McConnell after he acknowledged Biden's victory, and also for its link to the Congressional Reporting Service analysis of the process.

The US equities are likely inspired by the prospect of Biden being sworn in as the 46th President at his January 20th inauguration. Likewise, the US dollar remains under pressure due to the accelerated spending plans of the incoming Biden administration. That said, global govies seem quite a bit less concerned for now, probably on the degree to which

current COVID-19 pandemic economic pressures continue to suppress inflation expectations. Much of this might reverse as 2021 proceeds, especially on any sense of a return to 'normal', but that is it for now.

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/3rNLo92> updated through Thursday. 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 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 into early December, the lack of a Trump signature on the COVID-19 relief package sent it back down to a very temporary late-December test of the 3,600 area. Finally more fully out above the low 3,700 area on a belated 'Santa Claus Rally' late last week, saw it up near the 3,750-3,800 resistance.

However, based on recent weekly Closes, there are elevated weekly Oscillator historic indications. Those December thresholds are the weekly MA-41 plus 520 and plus 550, and based on weekly MA-41 now rising an impressive 30 points per week, those are up to 3,800 and 3,830 this week. And as is often the case at a new extended all-time high, those are presently the only quantifiable resistances.

Thanks for your interest.

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