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ROHR ALERT!! Georgia on My Mind

1 message

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Dear Subscribers,

Aren't we all feeling that right now! Despite the song of that title being most closely associated with the late, great Georgia native songster Ray Charles (due to the huge success of his 1960 recording), it was actually written by Hoagy Carmichael and Stuart Gorrell in 1930, and first recorded that year by Carmichael.

Well, here we are, 91 years later, and Georgia has everyone's attention due to the critical nature of its dual US Senate runoff elections. That is especially so now that it appears Democrats may pull off a miraculous upset to take both of those seats with candidates that include the black pastor of Atlanta's famous Ebenezer Baptist Church (Martin Luther King, Jr.'s old congregation), and a very young Jewish-American documentary film producer and investigative journalist.

And at present it already appears that Pastor Raphael Warnock has defeated his Republican opponent Kelly Loefer. While Jon Osoff has declared victory over Republican David Perdue, informed observers consider that race too close to call despite Osoff's growing lead. At present (12:00 EST) that stands at a 17,000 vote advantage (out of 4.4 million cast), with remaining absentee and mail-in ballots to be counted coming in from major Democratic strongholds in and around Atlanta.

Once again, none of this should be construed as a political comment on our part, as we are always only striving to communicate the *realpolitik* as it relates to the markets in the context of political developments. That is especially so for the edification of our offshore readers who may not normally closely follow all of the US political machinations. And we are always equal opportunity critics of political missteps, like House Speaker Pelosi missing the opportunity to take up Messrs. Trump and Mnuchin on their elevated relief offer prior to November's election.

Of course, as has been confirmed by subsequent late year events that included Trump's push for higher stimulus/relief checks than Senate Majority Leader Mitch McConnell would allow, that Trump-Mnuchin-Pelosi higher spending agreement would have set the cat loose among the Republican canaries. That sort of party acrimony among Republicans might have even delivered Democrat's Blue Wave that otherwise failed to materialize. We will never know, outside of the degree to which the present Republican internecine squabbling likely hurt them in Georgia.

Of course, it goes well beyond that on President Trump's continued aggressive moves to substantiate his victory on the basis of what are (at least in all cases to date) specious election fraud claims. There is a sense that while his sizable loyal base is accepting his claims, it is a negative factor for many others (including no small number of otherwise loyal Republicans.) That is clear from the degree to which so many Republican candidates performed well (gains in the House that was considered under threat) while Trump lost November's Presidential race.

His latest scheme was to heavily twist the arms of Georgia election officials and Governor Kemp in a bizarre hour-long call to (literally) “...find 11,780 votes...” (the number he would need to reverse Biden’s Georgia win.) Unfortunately for Trump (and Georgia candidates and Republicans in general), that call was recorded and later released to the press. For anyone wanting to access this attempt to coerce election officials, CNN released the transcript and audio (<http://cnn.it/3hLXjjd>.)

Along with other recent moves to cast aspersions on the November Presidential result, quite a few informed observers are of the opinion that is part of what hurt the Republicans in Georgia. Why should the Trump faithful vote if the election has been fixed? Even many Republican officials have been frustrated with Trump’s crossed purposes, as his Presidential election claims were getting in the way of them retaining a Senate majority. Before we get back to market implications, the other key event today is the Congressional ‘read-in’ of Electoral College votes.

This is another area where Trump has asserted completely false claims about the ability of Congress to overturn the result of the November Presidential race. It is as we noted in Tuesday’s ‘Weeds Redux’ ALERT!! that the ‘read-in’ has always been a purely ministerial function, which is typically uneventful. Please see that research for the full review of how that is NOT a confirmation function, only allowing for a limited degree of objections. And even those will not amount to anything unless both the House and Senate approve of them. Not at all likely.

As noted in Tuesday’s ALERT!!, Republican objections are very Shakespearian, “...*full of sound and fury, Signifying nothing.*” (The Tragedy of Macbeth, Act 5 Scene 5, 1623.) And as a final grasp at the election reversal straws, Trump has pushed Vice President Pence to throw out the electoral College results in the major states that he lost. The political dynamic is that Pence will likely suffer the same fate as McConnell, incurring the wrath of the Trump base if he fails to do so (see the brief review and links regarding McConnell in Tuesday’s ALERT!!)

Yet after consulting his attorneys, VP Pence has informed Trump that he does not have the power to do that. In fact, even as strong a fellow Trump loyalist as highly regarded administration attorney Jay Sekulow has come out and refuted Trump’s claim the Veep has authority to overturn Electoral College votes. For more on this see a very good THE HILL article (<http://bit.ly/2MGC86D>) on Sekulow’s statement.

As far as *realpolitik* as it relates to the markets, it is obvious they have Georgia on their minds. Yet this has evolved, even throughout the day today. The initial sharp knee-jerk response to the prospect of a Democratic sweep of the legislature with a Democratic President was some real concern on the part of the US equities. That seemed to be over more government regulation, especially challenges to Big Tech that weighed especially on those stocks. There was also the prospect of the higher corporate taxes that the Democrats suggested during the campaign.

Yet US equities seem to have woken up to the considerations we have expressed repeatedly in this area: while there may be tax hikes at some indeterminate point in the future, this will take a back seat to repairing and rejuvenating the COVID-19 damaged US economy. Of course, while this may be most prominent in the US, it is a global function anticipating much more stimulus/relief spending first.

It is showing up in the March S&P 500 future overrunning the potential DOWN Closing Price Reversal (CPR) from Thursday’s 3,748.75 Close that we only began noting in yesterday’s

analysis. That points to the higher resistances at the 3,800 and 3,830 weekly Oscillator resistances based on the December topping activity.

The global govies are quite a bit more bothered by the prospect of a much more profligate US administration that will likely now have the backing of a Democratic Senate majority (with VP Harris being the decisive vote.) It is of note that the front month US T-note future bears successfully defended the 138-00/-16 resistance over the past two months (since the early November failure below it on the Biden-Harris ticket victory.) While there is support into the upper 136-00 area, the more substantial support is not until more so in the 135-00/134-16 area.

Yet it is important to remember that the global govies trade on the 'real yield'. Considering that inflation may well remain low on COVID-19 weakened economic activity through the first half of this year, any more substantial bear trend may need to wait until a mid-2021 anticipation of a 'normal' US and global economy.

Also of note in that regard, the US dollar has not reacted badly to the prospect of a more profligate US administration and Congress. This flies in the face of the 'received wisdom', with the US Dollar Index back modestly above the critical 89.50-.00 range it has been testing over the past couple of days. This is another sign that the greater near-term relief spending, and possibly the end of political uncertainty after the Congressional Electoral College 'read-in' today, is actually a positive influence for the US economy after so much troubling disruption.

Courtesy Repeat of Tuesday's critical consideration

[To be updated after the final Georgia vote tallies later today]

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.

That said, Monday's drop from a new all-time high above the end of December 3,749 weekly Close left a reasonably credible potential (i.e. work in progress) weekly DOWN Closing Price Reversal. Whether that develops into a bona fide DOWN signal or is just a temporary blip will depend on how much lower on the week the market Closes this week. Anything below the currently violated and only temporarily retested low-3,700 area (up to 3,720) congestion would be a failure.

Any weekly Close back above that area (assuming the March S&P 500 would still even Close lower on the week at all) would be a limited enough drop to leave the DOWN signal seeming less than credible. Hence the real importance of the dual Georgia runoff elections for near-term US government fiscal stimulus prospects.

Thanks for your interest.

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