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ROHR ALERT!! TW3

1 message

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Dear Subscribers,
That is the acronym for the old (circa 1962-1963) satirical television comedy program 'That Was the Week That Was' on BBC Television, and later (1963-1965) on the US NBC network. The importance of the show was the many stars of that era who appeared in its very offbeat view of the headline stories of the week.

And those were easy fodder for the satirical treatment at a time when the budding civil rights movement, the emergence of hippies from the 'beat' generation and the still prominent prospect of global nuclear annihilation loomed large. It was the progenitor of many other satirical treatments of news and culture in the following decades, right down to the seemingly eternal Saturday Night Live. It was both entertainment, and a formative factor media influence on the Baby Boomers.

Why is that relevant now? Well, even though the end of the week has brought us the even weaker than expected US Employment report, that fits right in with the context set up in recent weeks right into this week's tumultuous events. It is the case current events mirror the tumultuous 1960s in ways that were unimaginable a few short years ago. More on how those unfolded in the recent news below, but first consider this morning's report, which brings us to you earlier than usual.

The loss of 140,000 US Nonfarm Payroll jobs was not a complete surprise in the wake of Wednesday's also very weak -123,000 ADP Employment figure (versus an estimate of +88,000.) While the 6.7% Unemployment Rate has remained fairly low (compared to elevated early year figures), there are warnings (from Fed Chair Powell among others) this is a chimera driven by low Labor Force Participation.

Recent history has brought us news of the US government agency security hack, and the considered opinion of all of the US intelligence community that the perpetrators were Russian. Of course, this was then glibly deflected by President Trump as possibly actually coming from China. Once again it is not a political comment on our part to note that this is a consistent Trump pattern, insofar as he seems to be incapable of ever criticizing Russia or Vladimir Putin. What might be the reason for that is beyond our feeble insight, yet has been the consistent case.

Once again not a political view on our part is there was an attempted insurrection at worst, or significant interference with the US general election process at least in Washington DC on Wednesday prior to it getting back on track. While some may still support President Trump, the inference of his complicity (if not outright planning and encouragement) for this seditious act is hard to escape.

Yet markets quickly and fully shook off negative influence from that temporary, if shocking, interruption. That has been the case through all of this very tumultuous week since Monday. Taken in order of appearance with some discussion of the psychology, there were Monday's weaker than expected European Manufacturing PMIs into Tuesday's stronger than expected US Vehicle Sales and of course the bigger 'macro' factor: the critical dual US Senate runoff elections in Georgia.

As Tuesday went on the markets shook off the initial fears over the prospect of a Democratic sweep of the US legislative process, as fully reviewed in Thursday's 'Democratic Sweep NOT a Blue Wave' ALERT!! For anyone who has not done so already, we suggest a read of that analysis for the articulation of the Democratic Party internal moderating factors on the more extreme Left-Progressive agenda. That means stimulus first (good for US equities), and other moves only later.

Then we saw the very unusual Wednesday events (being a bit euphemistic here) that began with globally somewhat weaker than expected Services PMIs as part of generally weaker economic factors. That is in the wake of further COVID-19 related global quarantines and shutdowns: a precursor to today's US numbers.

Those were followed by a typically purely ministerial joint Congressional session 'read-in' of the individual states' certified Electoral College votes. Yet even the shocking mobbing of the Congress causing the temporary interruption of that process did not foment anything more than a temporary US equities reaction.

That saw the March S&P 500 future only reacting back down to 3,740 area recent congestion, and not even down to the more prominent 3,700-20 area it had been trading below on Monday into Tuesday. How could this be? It is likely because there was still an abiding faith (ultimately fulfilled) that the Congress would reconvene and complete its process despite continued resistance of quite a few Republican legislators. That left the upbeat Biden regime stimulus psychology.

Moving on with the week, Thursday brought overall weak economic data and sentiment surveys once again, including the US Weekly Initial Unemployment Benefits Claims (even if a bit lower than estimated.) The same was true on balance this morning even prior to the greater than expected weakness of the US Employment report. The sister Canadian Employment report was also quite weak at -62,600 versus a -27,500 estimate (even with Full-Time Employment gains.)

Additionally, the US hit a new record 4,000 COVID-19 deaths in a single day on Thursday, and has what is now a broadly acknowledged dismal failure in its vaccination program. Only a fraction of the already distributed vaccine doses (which are now abundantly available) have been administered to vulnerable individuals. There is a 'Catch-22' in the process to date: vaccinations need to be administered at present by experienced hospital staff who are also in short supply due to the need for them in overloaded hospital wards and Intensive Care Units that are overwhelmed by the still accelerating number of new cases.

It can only be hoped, and is broadly expected, that the incoming Biden-Harris administration will mobilize the first national campaign to defeat the pandemic after the piecemeal approach of the Trump administration. The latter has largely fobbed off implementation of any programs to states, which are not properly equipped to handle them (once again an observation, not a political comment.)

Yet markets are acting like things are getting better, including previous weakness in global govvies being maintained (even if only down into lower supports.) It is also the case that foreign exchange is seeing a convincing holding action of developed currencies after slippage against the US dollar. Emerging currencies are also firming after their recent slippage, even if that is on individual country trends at present. It all feels like a bit of classical 'risk on' psychology is back.

Especially now that the global govvies are back into a traditional counterpoint trend versus the equities, the only conceivable driver behind this is a classical 'bad news is good news' psychology. This is reasonable on the assumption (which will still need to be borne out by the reality) that it is as we have noted for quite a while (since early December and repeated earlier this week):

"...*while there may be tax hikes at some indeterminate point in the future, this will take a back seat to repairing and rejuvenating 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*." That means more mutually agreed government spending now, with the challenging tax legislation to only come later into economic recovery. And that's a wrap for this tumultuous week.

Courtesy Repeat of Thursday's 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, and they are rising over $30/week based on the accelerated rise of weekly MA-41.

And following up on our previous observations, Monday's drop from a new all-time high above the end of December 3,749 weekly Close left a potential for a weekly DOWN Closing Price Reversal. However, this week's recovery from early week jitters has negated that potential, with higher resistances more prominent.

Thanks for your interest.

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